



Crown Resorts Limited (ABN 39 125 709 953)

Meeting of the Board of Directors
to be held on Wednesday, 19 October 2016 at 4.00pm
at Meeting Room 1, Crown Towers Perth, Great Eastern Highway, Burswood,
Western Australia

Present:

Rob Rankin (Chairman)
John Alexander
Ben Brazil
Helen Coonan
Rowen Craigie
Rowena Danziger
Andrew Demetriou
Geoff Dixon
John Horvath
Michael Johnston
Harold Mitchell

Michael Neilson (Secretary)

By invitation:

Kelvin Barry (UBS)(REIT and Demerger Update only)
Ken Barton
Tim Church (UBS)(REIT and Demerger Update only)
Barry Felstead
Alan McGregor
Todd Nisbet
Patricia Toh (CPH)

Apologies: Nil

BUSINESS

Update on detention of Crown's employees in China:

Mr Neilson provided an update on the Crown employees detained in China, it being noted that the Board had received an update on 17 October 2016.

He provided details of the visits by Australian consular officials and by lawyers retained by Crown to two of the three Australian citizens. He advised that the third Australian citizen had dual nationality and therefore there had been a delay in arranging a consular visit until his Australian nationality had been established. He also advised that Crown management were still chasing up the Malaysian consulate to arrange a visit to the Malaysian citizen.

Mr Neilson advised that the remainder of the staff were Chinese nationals and had been visited by lawyers.

Mr Neilson provided information to the Board about conditions in the detention centres.

He also advised that a staff member who had been presumed to be detained, had now been in contact and was not detained. He confirmed that of the 17 remaining staff members presumed detained, nothing had been heard regarding three of them, so their detention could not be confirmed.

REDACTED - PRIVILEGE



Mr Neilson provided an overview of the media coverage of the event. He outlined the proposed key messages to be given in the Chairman's speech at the AGM on the following day. A draft of the relevant section of the speech was tabled and there was a discussion about the content of the speech. The Board were supportive of the key messages.

REDACTED - PRIVILEGE



There was a general discussion about the likely reasons for the action by the Chinese authorities and the implications for the business.

Mr Craigie said a further update would be given in one week.

Messrs Barton, Felstead, McGregor, Nisbet and Toh joined the meeting.

Minutes of Previous Meetings: It was **RESOLVED** that the Minutes of the Board Meetings held on 16 August 2016, 28 August and 9 September 2016 be approved.

Matters Arising: It was noted that all matters arising were dealt with in the Board Papers.

CEO's Report: Mr Barton provided a brief overview of September results and October trading.

He noted that Crown Melbourne Crown Perth local contributions were in line or slightly ahead of budget, but that VIP results had been soft.

He also noted the wagering businesses' results were below budget.

Mr Felstead spoke briefly to the Current Issues outlined in the presentation slides, highlighting, in particular, the launch of the new Crown loyalty program, Crown Rewards, which is scheduled for 15 November.

He also highlighted some key achievements under Crown's disability employment program, *CROWNability*.

Mr Felstead summarised the terms of the Enterprise Agreement for Crown Melbourne employees which had been agreed in principle with United Voice and noted the average annual wage increase over the three year term of the agreement would be under 4%. He said he expected the agreement to be finalised and to be put to a vote in November.

He also noted that the Crown Perth Enterprise Agreement had been approved by a vote of employees.

In response to a question from the Board, Mr Felstead noted that revenue from the VIP International business accounted for approximately one quarter of the group's revenue and that revenue from mainland China VIP's comprised less than half of total VIP International revenue. He also noted that this was low margin business, so the impact on profit would be even less.

The balance of the CEO Report was taken as read.

REIT Approval and Demerger Update:

Messrs Barry and Church joined the meeting by phone.

Mr Barry advised the Board, that since the last Board Meeting, Crown's management and advisers had undertaken considerable work to assess the merits and risks of the REIT proposal and to refine the structure of the proposed REIT. He indicated that, based on that work, a formal approval to progress the REIT proposal was being sought from the Board. He said that, assuming that approval was given, an announcement would be made to the ASX in the form of the draft attached to the Board Paper.

Mr Barry highlighted the key merits of the REIT proposal as set out in the Board Paper.

He also highlighted the differences in the proposal in the Board Paper compared to the June proposal. In particular he noted:

- The amount of rent had reduced to approximately \$90m per annum;
- A dual trust structure was being recommended over the traditional trust structure previously discussed;
- Crown Towers Perth was now not included in the REIT;
- The assumed average cap rate had firmed to 5.98%; and
- The lease terms had been refined.

In relation to the financial metrics, Mr Johnston pointed out that the cash proceeds from the proposed REIT were less than the June proposal because of the exclusion of Crown Towers Perth and the fact that Crown would retain a 9.9% stake in the REIT.

It was **RESOLVED** that the implementation of the REIT proposal be approved subject to all necessary approvals including from State Governments, gaming regulators, the ASX and the ATO and subject also to an independent valuation.

It was further **RESOLVED** that the draft ASX Announcement be approved, with the Chair and CEO authorised to make any necessary final amendments.

Mr Barry also spoke briefly to the paper updating the Board on progress in implementing the demerger of the Group. In particular he highlighted the proposal that the demerged international company be UK incorporated and dual listed on the LSE. He took the Board through the rationale for this recommendation.

It was **RESOLVED** that demerger update by noted.

Messrs Barry and Church left the meeting.

2016 Annual General Meeting:

Mr Neilson outlined the schedule for the Annual General Meeting to be held on the following day.

He also tabled the final Proxy Count for all resolutions and noted that, based on the Proxy Count, all resolutions would pass by the required majority. He noted that Proxies could be revoked by the attendance of the shareholder at the AGM, so the final result was not certain.

Mr Neilson also noted that some proxy advisers had recommended votes against certain resolutions, which accounted for some resolutions having a higher against vote than others. The recommendations of against votes were not, however, consistent across the proxy advisers.

The Board discussed a number of the issues raised by the proxy advisers.

Mr Neilson also advised that legal advice had been obtained that CPH could now vote on the Remuneration Report.

Mr Neilson reminded Directors that neither they nor their 'closely related parties' were able to vote on Item 3 – Remuneration Report.

Development Update:

The Board Paper was taken as read.

Mr Nisbet highlighted the following:

- Crown Sydney:
 - Public realm and foreshore boardwalk expansion designs have been submitted to the BDA. Approval is expected in November.
 - Ground improvement and guide wall construction have commenced, as well as drilling for the underground caisson structure.
 - The planning appeal brought by the Millers Point Residents Action group will be heard on 15 November.
 - Discussions with Lendlease and BDA regarding sightlines over Central Barangaroo are continuing.
- Queensbridge Tower:
 - Following lodgement by the JV of the planning application, consultation with the Department of Planning has revealed concerns by the Department officers over the size and scale of the development and some modifications to the design have been made.

- Also, information has been sought by the Department regarding the project's qualifications for being regarded as a project of State Significance.
- The conditions precedent before commencement of construction can proceed have been drafted in the long form joint venture documents and submitted to Schiavello's lawyers for consideration.

It was **RESOLVED** that the Development Report be noted.

Alon Update:

The Board Paper was taken as read.

Mr Nisbet highlighted the feedback received in the soundings to attract third party equity. He also summarised the strategies being implemented to address investor concerns.

Mr Nisbet set out the proposed process over the coming months to seek financing for the project.

It was **RESOLVED** that the Alon Update be noted.

**Management Accounts YTD
September 2016:**

The report was taken as read.

It was **RESOLVED** that the Management Accounts be noted.

Investor Relations Report:

The report was taken as read.

It was **RESOLVED** that the Investor Relations Report be noted.

Committees:

**Draft Minutes of Meeting of the
Corporate Social Responsibility
Committee held on 28 September
2016:**

The draft Minutes were taken as read.

It was **RESOLVED** that the Draft Minutes of Meeting of the Corporate Social Responsibility Committee held on 28 September 2016 be noted.

**Draft Minutes of Meeting of the
Responsible Gaming Committee
held on 28 September 2016:**

The draft Minutes were taken as read.

It was **RESOLVED** that the Draft Minutes of Meeting of the Responsible Gaming Committee held on 28 September 2016 be noted.

Other Business:**Financing Approvals – Crown
Sydney New Guarantee
Agreements:**

Mr Barton spoke to the Board Paper.

Mr Neilson tabled a draft of the documents described in item 1 of the Schedule ("**Facility Documents**") together with a draft of a Power of Attorney described in item 2 of the Schedule ("**Power of Attorney**") to be given by the Company in favour of the persons listed in it (each an "**Attorney**") authorising them severally, among other things, to execute the Facility Agreements (as defined in item 1 of the Schedule) and any other document or agreement that an Attorney considers necessary or desirable in connection with the Facility Documents or any of the transactions contemplated by them.

It was noted that:

- a) Crown Sydney Property Pty Ltd ACN 166 326 861 (the "**Applicant**") and the Company are currently negotiating a new guarantee facility with each of Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) ("**ANZ**"), Westpac Banking Corporation (ABN 33 007 457 141) ("**Westpac**") and the Bank of Nova Scotia (ABN 34 133 513 827) ("**BNS**", and together with ANZ and Westpac, the "**Guarantors**") to be provided to the Applicant by each of the Guarantors (each, a "**Facility**" and together, the "**Facilities**");
- b) the terms of each Facility will be set out in each Facility Agreement, respectively;
- c) pursuant to the terms of each Facility Agreement, the Company, together with Crown Melbourne Limited (ABN 46 006 973 262), Burswood Nominees Limited (as trustee for the Burswood Property Trust) (ABN 24 078 250 307), Crown Entertainment Group Holdings Pty Limited (ABN 82 126 028 822), Publishing and Broadcasting (Finance) Limited (ABN 78 008 644 862), Crown Sydney Gaming Pty Ltd (ABN 97 166 326 843) and Crown (Western Australia) Pty Ltd (ABN 73 095 976 275) will support the relevant Facility by way of extending the benefit of the Crown group's Common Terms Deed Poll dated 1 December 2008, as amended and restated from time to time ("**CTDP**"), to such Facility;
- d) financial indebtedness incurred under the Facilities will be guaranteed by the entities listed in item (c) above in accordance with the relevant provisions of the CTDP;
- e) the Company is required to enter into each Facility Agreement to document the terms of the relevant Facility;

- f) all the directors believe it is in the Company's best interests to enter into each Facility Agreement and to perform its obligations under each Facility Agreement; and
- g) having regard to all relevant circumstances and the terms of each Facility Agreement, the Company is able to pay all its debts as and when they become due and payable and accordingly is solvent and there are reasonable grounds to expect that the Company will not become insolvent because the Facility Agreements or any transaction contemplated by the Facility Agreements or the Facilities (including any guarantee) are executed or performed.

The directors present carefully considered the Facility Documents and the Power of Attorney.

It was **RESOLVED** that:

- (a) the establishment of the Facilities; and
- (b) each Facility Agreement

each be approved.

It was further **RESOLVED** that the Company execute and enter into:

- (a) each Facility Agreement in the form produced to the meeting or in any other form approved by either two directors or a director and secretary of the Company, or by an Attorney; and
- (b) any other document or agreement that either two directors or a director and secretary of the Company, or an Attorney, considers necessary or desirable in connection with each Facility Agreement or any transaction contemplated by it or the Facilities.

It was further **RESOLVED** that performance by the Company of its obligations under each Facility Agreement be approved.

Financing Approvals – Approval of Subordinated Notes Buy-Back and hedging Arrangements:

Ken Barton spoke to the Board Paper.

It was noted that:

- a. a memorandum setting out the opinion of Mr Young QC and Ashurst was tabled at the meeting confirming the legal matters set out above in relation to the related party issue and the Amendments; and
- b. Ernst & Young's opinion that the Amendments do not give rise to a Tax Event was also tabled
- c. the Company is of the opinion that the Amendments are not, and are not likely to become, materially prejudicial to the interests of holders of Notes generally, for the reasons discussed including the manner in which the TRS is to be implemented
- d. the Company is required to enter into the Supplemental Trust Deeds in order to effect the Amendments
- e. all the directors believe it is in the Company's best interests to enter into each Supplemental Trust Deed and to perform its obligations under each Supplemental Trust Deed

Resolutions in relation to amendments

It was resolved that, in the opinion of the Company:

- a. the Amendments will not be materially prejudicial to holders of Notes I and Notes II
- b. subject to the Outstanding Matters being Resolved, the Amendments be approved
- c. subject to the Outstanding Matters being Resolved, each Supplemental Trust Deed be approved
- d. subject to the Outstanding Matters being Resolved, the Company execute and enter into:
 - i. the Supplemental Trust Deeds in the form produced to the meeting or in any other form approved by Management provided amendments are not material; and
 - ii. any other document or agreement that Management considers necessary or desirable in connection with the Supplemental Trust Deeds or any transaction contemplated by it, and that such documents be executed on behalf of the Company by any two directors or a director and the Company Secretary

- e. subject to the Outstanding Matters being Resolved, performance by the Company of its obligations under the Supplemental Trust Deeds be approved

It was noted that the "**Outstanding Matters**" referred to:

- a. (ASX discussions) ASX providing required confirmations under Listing Rules 7.33 and 7.36
- b. (AET) Australian Executor Trustees Limited ("AET"), the trustee for the Notes, agreeing to the Supplemental Trust Deeds in the form tabled to the Meeting or such other form approved by Management; and
- c. (ratings agency discussions) formal confirmations from the Company's credit ratings agencies are received confirming that the Company's credit ratings will not be adversely affected by the buyback/TRS or the Amendments

Total Return Swap (TRS) – Entry into documentation

It was **resolved** that, subject to the Outstanding Matters being Resolved, the Company:

- a. approves the execution and entry, by Crown Group Finance, into the TRS and any other document or agreement that Management considers necessary or desirable in connection with any of the TRS or any transaction contemplated by any of the TRS
- b. make an ASX Announcement in the form included in the Board Report dated 19 October 2016 or in such amended form as approved by Management, provided the amendments are not material, before the TRS is entered into
- c. authorises management to ensure that the TRS and any increase in hybrids covered by the TRS are to be implemented in accordance with the processes described in the Board Report dated 19 October 2016; and
- d. confirms that any transaction between UBS, the bank counterparty to the TRS, and CPH for the purposes of the TRS, being implemented materially in the manner described in the Board Report dated 19 October 2016, does not discriminate unfairly in favour of CPH or against the other holders of hybrids and such transaction is reasonable in the circumstances of the Company as an arm's length dealing

Subordinated Notes Quarterly Report:

Mr Neilson spoke briefly to the Board Paper.

The directors acknowledge having received a copy of the draft Quarterly Report for each of Notes I and Notes II in relation to the period from 1 July 2016 to 30 September 2016.

It was **RESOLVED** that:

1. the Quarterly Reports in respect of Notes I and Notes II in relation to the period from 1 July 2016 to 30 September 2016 be approved;
2. the Company Secretary cause the Quarterly Reports to be lodged with the Australian Securities and Investments Commission (**ASIC**); and
3. a copy of the Quarterly Reports lodged with ASIC be provided to Australian Executor Trustees Limited (in its capacity as Trustee of the Crown Subordinated Notes issues).

Future Meetings:

The Board noted the 2016 Meeting Schedule.

Closure:

There being no further business, the meeting was declared closed at 7.20pm.

Signed as a correct record



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Chairman