

VICTORIAN CASINO AND GAMING AUTHORITY

COMMERCIAL IN CONFIDENCE

MINUTES OF MEETING NO. 123

HELD IN THE AUTHORITY BOARD ROOM

AT LEVEL 4 35 SPRING STREET MELBOURNE

ON TUESDAY 26 MAY 1998 COMMENCING 2.15 PM

ITEM 1 PRESENT/ IN ATTENDANCE/ APOLOGIES

1 (a) Present

Mrs Sue Winneke, Chairman
 Mr Henry Bosch
 Mr George Davis
 Reverend Professor Robert Gribben
 Dr Desmond Hore
 Mr Donald Swan
 Professor Trang Thomas

1 (b) In Attendance

{From 2.45 pm, following an "in camera" session between the Authority Members and the Director of Gaming and Betting}

Mr Bill Balgowan, Casino Project Manager
 Mr Robert Chappell, Legal Adviser [Items 5(b) - 5(f) and 6(f) - 7(d)]
 Mr Matthew Clancy, Manager, Policy Development and Coordination
 Mr Peter Cohen, Manager, Licensing and Compliance
 Mr Brian Farrell, Manager, Gambling Operations and Audit
 Ms Sylvia Grobtuch, Manager, Legal and Legislation
 Mr Jim Holcombe, Compliance Manager
 Mr Bill Lahey, Director of Gaming and Betting
 Mr Kenneth McLeod, Secretariat Officer
 Mr Ian Manning, Director of Casino Surveillance
 Mr Phillip Shelton, Chief Casino Inspector

1 (c) Apologies

Professor Anne Edwards, Deputy Chairperson

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ITEM 2 MINUTES OF PREVIOUS MEETINGS**2 (a) Confirmation of Minutes of Meeting No. 121**

Members agreed that the minutes of Meeting No 121 were confirmed.

2 (b) Confirmation of Minutes of Meeting No. 122

Members agreed that the minutes of Meeting No 122 were confirmed.

2 (c) Action Items

Members noted the contents of the Action Items Report.

ITEM 3 STATUS REPORT

{This Item was considered first on the basis of an "in camera" session between the Authority Members and the Director of Gaming and Betting}

Report of the Director of Gaming and Betting

Members noted a report from the Director containing advice about the following matters:

- (I) Thanksgiving Service for John Richards;
- (II) Freedom of Information Requests Regarding the Casino;
- (III) Remuneration of Members;
- (IV) Clarification of Roles - Minister, Authority Members, Authority staff, Secretary and staff of the Department of Treasury and Finance;
- (V) Tattersall's Corporatisation;
- (VI) Overseas Delegations; and
- (VII) Freedom of Information Status.

ITEM 4 LICENSING**4 (a) Venue Operator's Licence Application - New Venue**

Members considered two applications for a Venue Operator's licence for a new venue and agreed as follows:

Venue	EGMs Proposed	Gaming Operator	Decision
i) Italo Australian Social Club	40/0	Tattersall's	Approved
ii) Upper Yarra RSL Branch	10/0	Tattersall's	Approved

4 (b) Venue Operator's Licence Application - Operating Venue

Members considered one application for a Venue Operator's licence for an operating venue and agreed as follows:

Venue	EGMs Proposed	Gaming Operator	Decision
Australian Croatian Cardinal Alojz National Hall	30/0	TABCORP	Approved

4 (c) Renewal of Venue Operator Licence Applications

Members considered four applications for the renewal of a Venue Operator's licence and agreed as follows:

Venue	EGMs Proposed	Gaming Operator	Decision
i) Keysborough Hotel	100/5	TABCORP	Approved
ii) Nagambie Rowing Club	25/5	Tattersall's	Approved
iii) Camp Hotel	5/0	Tattersall's	Approved
iv) Grovedale Hotel	68/2	TABCORP	Approved

4 (d) Licence Variation Applications

Members considered eleven applications for venue licence variations and decided as follows:

Venue	Prev EGMs	New EGMs	Operator	Decision
i) Alpine Hotel	18/0	0/0	TABCORP	Approved
ii) Cowes Golf Club	20/0	10/0	Tattersall's	Approved
iii) Dromana Hotel	41/0	50/0	TABCORP	Approved
iv) Esplanade Hotel	20/0	28/0	TABCORP	Approved
v) Frankston RSL Club	71/5	72/5	Tattersall's	Approved
vi) Grand Hotel Mornington	70/0	75/0	TABCORP	Approved
vii) Loch Sport RSL Club	11/0	5/0	Tattersall's	Approved
viii) Moe Racing Club	65/0	75/0	TABCORP	Approved
ix) Newport Family Hotel	60/0	66/0	TABCORP	Approved
x) Royal Hotel, Ferntree Gully	69/0	90/0	Tattersall's	Approved
xi) Shepparton RSL Club	65/0	69/0	Tattersall's	Approved

4 (e) Venue Operator's Licence Application - Provisional

Members considered three applications for a provisional venue operator's licence and decided as follows:

Venue	Period	Decision
i) Phillip Island RSL Sub-Branch	90 Days from 26 May 1998	Approved
ii) Kyneton RSL	90 Days from 26 May 1998	Approved
iii) Shepparton RSL Club	90 Days from 26 May 1998	Approved

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4 (f) Application For New Nominee

Members considered two applications for approval of a new nominee of a gaming venue and decided as follows:

Venue	Applicant	Decision
Benalla Bowls Club	Mr Barry Francis HARRIS	Approved
Hoppers Crossing Club	Ms Olga Theresa CARR	Approved

4 (g) Schedule of New Associates

Members considered six applications for approval of new associates of gaming venues and decided as follows:

VENUE	NEW ASSOCIATE(S)	DECISION
Aspendale/Edithvale Ex Services Club	DOYLE, Elizabeth Anne	Approved
Dandenong Workers Social Club	MATHESON, John Bernard	Approved
Italian Social Club of Werribee	DIBLASI, Vincent	Approved
Kew RSL	KELLY, Margaret Shanks	Approved
Monbulk Bowling Club	KOELEWYN, Leonardus Josephus	Approved
Myrtleford Savoy Club	MAUTONE, Antonio	Approved

Members also considered one applications for approval of a new associate of a recognised manufacturer and decided to approve Elizabeth Anne Bannigan as a new associate of Victorian Gaming Systems Manufacturing Pty Ltd.

4 (h) Batch Report - Compliance With Ministerial Directions

Members agreed to note the Batch Report for the 26 May 1998 meeting enabling the Authority to confirm the status of approved electronic gaming machine numbers complies with all Ministerial directions.

ITEM 5 CASINO MATTERS**5 (a) Director of Casino Surveillance Report****1. Gaming Activity - April 1998**

Members noted the report on gaming activity for the month of April 1998.

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2. Matters Arising From Previous Meetings

Members noted reports on the three matters identified, namely:

- Disciplinary Action Against Crown Limited;
- Resignation of Hudson Conway Director; and
- Casino Boundaries.

3. Investigations

Members noted that:

- no investigations were concluded in the month of April 1998;
- an investigation has been commenced in relation to disciplinary action against a casino special employee licensee; and
- an investigation has commenced in relation to another breach of the Rules of Baccarat by the casino operator.

4. Minors in the Casino

Members noted that four minors were detected and removed from the casino during the month of April 1998 and that a total of 3,011 persons suspected of being a minor or who could not produce adequate proof of age were refused entry to the casino in the same period.

5. Appeals Against Exclusion Orders

Members noted developments in relation to a number of appeals against exclusion orders, in particular that:

- there were two appeals lodged against exclusion orders issued by Crown Limited during April 1998;
- previous appeals lodged by Messrs Papdanco and Bizzotto have been the subject of mediation sessions as a result of which, in the former instance, no further action shall be taken and, in the latter instance, the appeal hearing has been adjourned pending advice from the Victoria Police; and
- completion of the appeal brief for Mr Phan is pending.

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6. Appeal Against Licence Refusal

Members noted that a mediation session will be conducted by an Authority Legal Officer prior to the hearing of an appeal by Mr Paul Brodrick against the refusal by the Director of Casino Surveillance to grant him a category B Casino Special Employee licence.

7. Approvals Under Delegation

Members noted that a committee comprised of the Chairman of the Authority and the Director of Gaming and Betting made the following approvals or amendments under delegation for the month of April 1998:

Rules of the Game

- Blackjack - to restrict doubling on 9, 10, and 11 only, to allow the split of Aces only once, and to allow for three decks to be used in automatic shuffling/dealing shoes.

Internal Control Manual

- Part XIII - Surveillance Department - to allow for changes to permit the introduction and use of electronic logs;
- Part XV - Security and Service Manual - to allow for the exclusion of persons who are committing a criminal offence in the casino or its environs and contravene the rules of the games.

Members noted that the changes to the rules of Blackjack brought the practice at the Melbourne Casino in line with practice at other casinos throughout Australia.

Members also noted the approval of seventy two casino special employee licences by officers of the Licensing and Compliance Branch, under delegation of the Director of Casino Surveillance.

8. Junket Operator/Representative - Full Approvals

Members noted that, since meeting No 121, held on 28 April 1998, five Junket Operator/Representative full approvals have been granted:

- Seow Yen TAY
- Pin Pin TIOPAN
- Kew Guan ANG
- Kenneth Wee Meng AW
- Wee Gin NG

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9. Junket Operator/Representative Preliminary Approvals

Members noted that, since meeting No 121, held on 28 April 1998, two Junket Operator/Representative preliminary approvals have been granted as follows:

- Xianfang HE
- Kah Khim WEE

5(b) Approval of EGMs - Olympic

Members considered a report regarding the operation of five new Olympic EGM games at the Melbourne Casino at Southbank and, noting that the Authority's testing agent, TST, has tested the games and recommended them for approval, and that Mr Freeman, on behalf of the Authority's Manager, Gambling Operations and Audit, supports the recommendation made by TST, agreed to approve:

- inclusion of the games known as Big Bernard, Cossack Dancer, Outback Bucks, Roll Over Beethoven and Trade Winds on a new list of Olympic games; and
- that the new list of Olympic games including the games known as Big Bernard, Cossack Dancer, Outback Bucks, Roll Over Beethoven and Trade Winds be submitted for gazettal by the Director of Gaming and Betting.

5(c) Casino Management Structure

Members considered a paper reporting on the Crown Limited casino management structure and agreed:

- to accept the finding of the review by the Director of Casino Surveillance that Crown Limited has sufficient skills and expertise within its casino management structure and casino operational efficiency to continue to be the operator of the Melbourne Casino;
- that staff of the Authority provide further statistical information indicating -
 - * the total number of incidents reported;
 - * the proportion of those incidents reported by each of Crown Limited and the Authority's Inspectorate;
 - * the proportion of all incidents ultimately referred to the Authority for consideration; and
 - * comparative figures for incidents reported by interstate casinos.

5(d) Linked Jackpot Arrangements

Members considered a report regarding the operation of further linked jackpot arrangements for EGMs at the Melbourne Casino at Southbank and, noting that testing is undertaken by the Authority's testing agent, TST, and that the equipment, increment rate and seed values of these jackpots will be considered by the Director of Casino Surveillance under section 62(2) of the *Casino Control Act 1991*, agreed to approve linked jackpot arrangements for:

- World trip Jackpot; and
- House and Land Jackpot.

5(e) Crown Limited Gearing Ratio

Members considered a paper updating consideration of the gearing ratio to be specified in clause 22.1(m) of the Casino Agreement, including a draft Seventh Variation Agreement to the Casino Agreement, and agreed:

- to amend clauses 22.9 and 22.10 of the draft Seventh Variation Agreement to provide that Crown Limited provide the Solvency Report and any written submission to the Authority not later than the twentieth day of each month.
- to an amendment to clause 22.12 of the draft Seventh Variation Agreement to the Casino Agreement by the substitution of the words "may determine not to" for the words "will not" in the second last line of the clause; and
- to approve the amended form of the Seventh Variation Agreement to the Casino Agreement, incorporating a redefinition of the gearing ratio in clause 22.1(m) that requires the ratio of Total Liabilities to Total Assets not to exceed 60% without the prior written approval of the Authority, subject to formal agreement to the proposed amendments being received from Crown Limited, the Minister for Gaming and ANZ Capel Court on behalf of Crown Limited's financiers.

5(f) Crown Limited - Second Hotel and Lyric Theatre

Members considered a report regarding advice to be provided to the Minister for Gaming, in response to his request dated 25 February 1998, about the Crown Limited submission to Government that the company be relieved of its obligations, as set out in the *Casino (Management Agreement) Act 1993*, to construct both the Lyric Theatre and the southern tower of the Hotel by 30 November 1999.

Members agreed that staff of the Authority prepare a further paper for consideration at the 23 June 1998 meeting, and that such paper include:

- additional background information relevant to an understanding of the issue;

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- all factual information, including appropriate statistics such as hotel occupancy rates, building projects planned and theatre seating numbers, required to support the advice being provided to the Minister for Gaming;
- an analysis of all available options and the ramifications of following each option; and
- reasons for any options and/or recommendation that may form the basis of advice to the Minister for Gaming.

5(g) Crown Limited Leases

Members considered a report advising progress to date in the matter of notices served on Crown Limited in respect of lease and sale and leaseback transactions which had not been notified to the Authority pursuant to the provisions of clause 30.3 of the Casino Agreement.

Members agreed to:

- send an appropriately worded letter from the Chairman of the Authority to Crown Limited, such letter to be worded so as to both acknowledge progress in the matter by Crown Limited and indicate dissatisfaction with Crown Limited's initial response to the notices;
- note, with respect to action Crown Limited proposes, that the Director of Casino Surveillance considers the steps to be taken as reasonable for ensuring future compliance with the Casino Agreement, in particular that draft procedures for lease handling, to be incorporated in the Internal Control Manual, are appropriate;
- endorse the inclusion of compliance procedures regarding the handling of the leases in the system of internal controls under Part 9 of the *Casino Control Act* 1991; and
- approve the removal from the scope of the notices relating to the Westpac leases those assets which are genuinely not required for the operation of the casino, the identity of which is to be determined by the Chairman and the Director of Gaming and Betting.

ITEM 6 APPEALS AND DISCIPLINARY ACTION**6 (a) Disciplinary Action Against Licence Holder - Pocock**

Members noted a submission from Ms Simone Pocock to the Authority in response to a letter from the Authority dated 15 April 1998.

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Having considered all the material referred to it, including the Certified Extract of the Magistrates' Court at Frankston, the Order made on 3 February 1998, and the plea of guilty by Ms Pocock to a breach of Act 6231.74, the Authority determined that:

- there are grounds for disciplinary action under section 51(1)(b) of the *Gaming Machine Control Act* 1991 as recommended by the Director of Gaming and Betting;
- disciplinary action be taken against Ms Simone Pocock; and
- the appropriate disciplinary action to be taken is cancellation of her licence, No S97/21718.

6 (b) Disciplinary Action Against Licence Holders - Various

Members agreed to note that disciplinary action is recommended by the Director of Gaming and Betting against Ms Clair Burns, Mr Nektarios Kokkinakis and Mr Trent Loats.

Members also agreed to direct that, in accordance with section 51 (3) of the *Gaming Machine Control Act* 1991:

1. a letter be sent to Ms Clair Burns giving notice of the Director's recommendation that disciplinary action be taken and providing Ms Burns with the opportunity to make submissions on the matter within 14 days; and
2. a letter be sent to Mr Nektarios Kokkinakis giving notice of the Director's recommendation that disciplinary action be taken and providing Mr Kokkinakis with the opportunity to make submissions on the matter within 14 days; and
3. a letter be sent to Mr Trent Loats giving notice of the Director's recommendation that disciplinary action be taken and providing Mr Loats with the opportunity to make submissions on the matter within 14 days.

6 (c) Disciplinary Action Against a Casino Operator - ICM Breach

Members considered a report from the Director of Casino Surveillance in relation to proposed disciplinary action against Crown Limited for a breach of section 121(4) of the *Casino Control Act* 1991 and agreed that:

- a notice be served on Crown Limited to show cause within 14 days why disciplinary action should not be taken by the Authority on grounds for disciplinary action specified in the notice pursuant to section 20 (2) of the *Casino Control Act* 1991; and
- ANZ Capel Court be advised of the service of the notice on Crown Limited.

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Members also agreed, noting that the Director of Casino Surveillance proposed to send a warning letter to Ms Julieanne Tomkins in response to her involvement in the matter, that:

- the Manager, Legal and Legislation review earlier legal advice regarding taking of disciplinary action under paragraph (f) of sub-section (1) of section 52 of the *Casino Control Act 1991*; and
- the Director of Casino Surveillance reconsider his decision to send a warning letter to Ms Julieanne Tomkins once the review has been completed and in light of the findings of the review.

6 (d) Disciplinary Action Against Licensed Casino Special Employee - Maver

Members considered a report from the Director of Casino Surveillance in relation to proposed disciplinary action against Mr Anthony Maver pursuant to section 52 of the *Casino Control Act 1991* and agreed that:

- a ground for disciplinary action under paragraph (e) of section 52 of the *Casino Control Act 1991* has been established; but
- disciplinary action not be taken in this instance due to the circumstances of Mr Maver's bankruptcy.

6 (e) Disciplinary Action Against Licence Holders - Register

Members agreed to note the updated Register recording the results of disciplinary action recommended by the Director of Gaming and Betting and taken by the Authority against licensed venue operators and special employees.

6 (f) Authority Hearings

Members considered a report regarding arrangements for hearings to be conducted by the Authority and agreed:

- to schedule hearings on Wednesday 24 June 1998 for the purpose of considering four disciplinary matters relating to Crown Limited and the matter of oral submissions from the Traralgon RSL Club;
- that the panel for hearing the abovementioned matters be comprised of the Chairman, Mr George Davis, Dr Des Hore, Mr Don Swan and Professor Trang Thomas; and
- to schedule a hearing in the morning on Tuesday 23 June 1998 to consider an appeal by Mr Alan Want against a decision of the Director of Gaming and Betting to refuse to grant a special employee licence.

ITEM 7 OTHER BUSINESS**7 (a) Approval of New Gaming Machine Games - Mystic Garden**

Members agreed, noting that the Authority's testing agency, BMM, has completed testing and recommended approval, to approve the following electronic gaming machine game to operate on TABCORP's Tabaret gaming network subject to the condition mentioned below:

Game Details

Game Name	Game Variation	Return to Player %	Coin In	Denomination \$, c
Mystic Garden 100 DUP	02	90.33	\$1	1c, 2c, 5c, 10c, 20c, \$1

EGM Type: Mark 5

Top Box Style: High Boy

Condition

1. The recommended software must only operate with the approved version 6.75 of the ANET 10 software.

7 (b) Research Status Report

Members considered a report on the progress of the research program and agreed to note the status of:

- the research initiatives being undertaken as outlined in paragraph four of the paper submitted; and
- the Research and Development Fund as at 30 April 1998.

7 (c) Research Project Briefs

Members considered a report on three research project briefs and, noting that the Research Committee had approved these briefs at its meeting of 26 May 1998, agreed to approve them, subject to Community Support Fund funding being approved by the Premier.

7 (d) Electronic Presentation of Authority Papers

Members considered a report indicating preliminary findings in relation to provision of Authority papers by electronic means.

Members agreed:

- to note the report; and
- to authorise further work being undertaken with a view to implementing provision of Authority papers by electronic means once funds have been allocated as part of the budget process for the 1999-2000 financial year.

7 (e) Voluntary Removal From Roll of Manufacturers

Members considered a report on the removal of Datacraft Australia Pty Ltd and Datacraft Technologies Pty Ltd from the Roll of Recognised Manufacturers and Suppliers of Restricted Components.

Members agreed, noting that these organisations had requested removal from the Roll, that Datacraft Australia Pty Ltd and Datacraft Technologies Pty Ltd be removed from the Roll effective from Wednesday 27 May 1998.

ITEM 8 REPORTS**8 (a) Use of the Official Seal**

Members agreed to note the report by the Legal and Legislation Branch relating to the use of the official seal up to and including 20 May 1998.

8 (b) Approvals Under Delegation - *Gaming Machine Control Act 1991*

Members agreed to note the list of approvals granted to manufacturers and operators for modifications to electronic gaming equipment under sections 69(5B) and 75B(3)(b) of the *Gaming Machine Control Act 1991* for the period 25 April 1998 to 22 May 1998.

8 (c) Approvals Under Delegation - *Gaming and Betting Act 1994*

Members agreed to note the list of approvals granted to TABCORP for minor modifications and changes under section 70 (2) of the *Gaming and Betting Act 1994* for the period 25 April 1998 to 22 May 1998.

8 (d) Minor Gaming Statistics Report

Members noted the report on minor gaming activities which provides statistical details regarding the number of permits, licences and consents issued during April 1998.

(e)

8 (e) Financial Monitoring

Members agreed to note the financial monitoring report for the month of April 1998.

8 (f) Hudson Conway Status Report

Members agreed to note the report on the status of investigations by the Victoria Police Major Fraud Group concerning allegations that Hudson Conway Limited concealed tenders in relation to the Capital Plaza office building project for the Gas and Fuel Corporation (now SECV).

8 (g) Year 2000 Compliance

Members agreed to note the status report on action being taken to ensure that the Authority, gaming operators and crucial service suppliers are, or will be, able to meet the IT requirements for Year 2000 compliance.

8 (h) Criminal Prosecutions Register

Members agreed to note the register indicating the results of matters heard and determined in the Magistrates' Court in the financial year to 19 May 1998.

8 (i) Research Committee - Minutes

Members agreed to note the minutes of the Research Committee meeting held on Wednesday 22 April 1998.

8 (j) Passing of Former Chairman

Members agreed to note the following documents relating to the passing on 5 May 1998 of Mr John Richards, the foundation Chairman of the Authority:

- Authority death notice for Mr Richards;
- letter of 7 May 1998 from Mr Richard Bunting, Compliance Manager of Crown Limited; and
- letter of 11 May 1998 from Mr Nigel Morrison, Chief Operating Officer of Crown Limited;

8 (k) Audit Committee Report

Members noted an oral report from the Chairman of the Audit Committee, in particular that:

- the Audit Committee held a meeting on Tuesday 26 May 1998;

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- the Internal Audit program for the 1997-98 year is finalised with the exception of one report, which has been completed but has not yet been lodged with the Authority;
- the Audit Committee considered six reports at its meeting, two of which raised significant matters relating to records management and performance indicators;
- regarding records management, the Internal Auditor found that there was insufficient protection of files and file material and management, having acknowledged the shortcomings identified, has agreed to address these with both short and long term solutions;
- regarding performance indicators, a range of suggestions made by the Internal Auditor are under consideration by the Audit Committee.

Members agreed to adopt the proposed 1998-99 Audit Plan as recommended by the Audit Committee, noting that the Audit Committee had agreed that the Plan was sound.

Members also agreed to a proposal that the write-off rate for software be amended to operate as follows:

- immediate write -off where the software costs \$100,000 or less; and
- write-off over two years at 50% per year where the software costs more than \$100,000.

8 (l) Statistics

Members noted the regular statistical report on lotteries, wagering, electronic gaming, Club Keno and casino gaming.

Members also noted that the report has been expanded to include information in the form of maps and tables derived from the Authority's baseline database.

ITEM 9 NEXT MEETING

Members noted that the next scheduled meeting of the Authority is Tuesday 23 June 1998 commencing 2.15 pm in the Authority board room.

The meeting closed at approximately 5.40 pm

Signed.....
Chairman

...../...../..... Dated

VICTORIAN CASINO AND GAMING AUTHORITY**COMMERCIAL IN CONFIDENCE****MINUTES OF MEETING NO. 121****HELD IN THE AUTHORITY BOARD ROOM****AT LEVEL 4 35 SPRING STREET MELBOURNE****ON TUESDAY 28 APRIL 1998 COMMENCING 2.15 PM****ITEM 1 PRESENT/ IN ATTENDANCE/ APOLOGIES****1 (a) Present**

Mrs Sue Winneke, Chairman
Professor Anne Edwards, Deputy Chairperson
Reverend Professor Robert Gribben
Mr Donald Swan
Professor Trang Thomas

1 (b) In Attendance

Mr Bill Balgowan, Casino Project Manager
Mr Robert Chappell, Legal Adviser (Items 4D, 5E and 5F)
Mr Matthew Clancy, Acting Manager, Policy and Research
Mr Peter Cohen, Acting Manager, Licensing and Compliance
Mr Brian Farrell, Manager, Gambling Operations and Audit
Ms Sarah Harvey, Legal Adviser
Mr Jim Holcombe, Compliance Manager
Mr Bill Lahey, Director of Gaming and Betting
Mr Kenneth McLeod, Secretariat Officer
Mr Ian Manning, Director of Casino Surveillance

1 (c) Apologies

Mr Henry Bosch
Mr George Davis
Dr Desmond Hore
Ms Sylvia Grobtuch, Manager, Legal and Legislation

ITEM 2 MINUTES OF PREVIOUS MEETINGS**2 (a) Confirmation of Minutes of Meeting No. 119**

Members agreed that the minutes of Meeting No 119 were confirmed.

2 (b) Confirmation of Minutes of Meeting No. 120

Members agreed that the minutes of Meeting No 120 were confirmed.

2 (c) Action Items

Members noted the contents of the Action Items Report.

ITEM 3 STATUS REPORT**Report of the Director of Gaming and Betting**

Members noted a written report from the Director containing advice about the following matters:

- (i) Remuneration of Members
- (ii) 1998-99 Budget
- (iii) Gaming No 2 Act 1997
- (iv) Gaming No 2 (Amendment) Bill
- (v) Freedom of Information

In relation to Item(v), Members noted information contained in an oral report from the Director of Gaming and Betting regarding a request dated 12 April 1996 from Mr Rob Hulls, Shadow Minister for Gaming, for documents provided by the Victorian Casino Control Authority to the Premier, Treasurer and the then Minister for Gaming in relation to financial information on the bids for the Melbourne casino licence.

ITEM 4 LICENSING**4 (a) Venue Operator's Licence Application - New Venue**

Members considered two applications for a Venue Operator's licence for a new venue and agreed as follows:

Venue	EGMs Proposed	Gaming Operator	Decision
i) Pinewood Hotel/Motel	18/0	TABCORP	Approved
ii) Wantima Club	80/0	Tattersall's	Approved

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4 (b) Venue Operator's Licence Application - Operating Venue

Members considered three applications for a Venue Operator's licence for an operating venue and agreed as follows:

Venue	EGMs Proposed	Gaming Operator	Decision
i) Grand Hotel Frankston	90/0	TABCORP	Approved
ii) Rosebud RSL	60/0	Tattersall's	Approved
iii) St Alban's Hotel	45/5	Tattersall's	Approved

4 (c) Licence Variation Applications

Members considered eight applications for venue licence variations and decided as follows:

Venue	Prev EGMs	New EGMs	Operator	Decision
i) Westside Hotel	55/5	57/3	Tattersall's	Approved
ii) Celtic Club	70/0	52/0	Tattersall's	Approved
iii) Morwell Bowling Club	35/0	45/0	TABCORP	Approved
iv) Steeples	63/0	60/0	TABCORP	Approved
v) Maryborough Highland Society	59/0	64/0	TABCORP	Approved
vi) Traralgon RSL Club	38/0	39/0	Tattersall's	Approved
vii) Dingley International Hotel	88/2	90/0	TABCORP	Approved
viii) Morwell Club	42/0	43/0	Tattersall's	Approved

4 (d) Venue Operator's Licence Application - Provisional

{Mr Robert Chappell joined the meeting for this Item}

Members considered one application for a provisional venue operator's licence and decided as follows:

Venue	EGMs	Period	Decision
Coburg Jackpots	60/0	90 Days from 13 May 1998	Approved

Members also agreed:

- that arrangements be made to proceed with an inquiry into the suitability of the applicant to hold a venue operator's licence;
- that the hearing of the matter be limited to a consideration of the suitability of an associate of the applicant thus enabling it to be considered by a panel of three members of the Authority under section 142A of the *Gaming Machine Control Act 1991*; and

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- that the matter be listed for hearing on Monday 25 May 1998, subject to the availability of either Mr Bosch, Mr Davis or Dr Hore to sit on the panel of members required to hear the matter.

4 (e) Application For New Nominee

Members considered one application for a new nominee of a gaming venue and decided as follows:

Venue	Applicant	Decision
Traralgon Bowls Club	Mr Roger Clive PEDLEY	Approved

4 (f) Schedule of New Associates

VENUE	NEW ASSOCIATE(S)	DECISION
Club Fogolar Furlan	MENIS, John	Approved
IGT (Australia) Pty Ltd	GARTON, Gary	Approved
Morwell RSL Club	HURST, John	Approved
North Suburban Club	DANN, Keith	Approved
Northcote Park Football Club	McNIECE, Peter	Approved

4 (g) Batch Report - Compliance With Ministerial Directions

Members agreed to note the Batch Report for the 28 April 1998 meeting enabling the Authority to confirm the status of approved electronic gaming machine numbers compared with all Ministerial directions.

ITEM 5 CASINO MATTERS**5 (a) Director of Casino Surveillance Report****1. Gaming Activity - March 1998**

Members noted the report on gaming activity for the month of March 1998.

2. Matters Arising From Previous Meetings

Members noted reports on the six matters identified, namely:

- Casino Special Employee Licence Refusal Appeal;
- Disciplinary Action Against Crown Limited;
- Caribbean Stud Poker - Breach of Rule 7.3;
- Baccarat - Breach of ICM Procedures;

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- Drop Box Removal - Breach of ICM Procedures; and
- Baccarat Tournament - Breach of Rules.

In respect of the Casino Special Employee Licence Refusal Appeal, Members agreed that paragraph 6 of the report be amended by the addition of the following words at the end of the paragraph - "otherwise his case is struck out".

In respect of the four matters dealt with under Disciplinary Action Against Crown Limited, Members agreed, noting that, considered together, these matters would take approximately one day to hear, that:

- Crown Limited's written submissions concerning the Caribbean Stud and Baccarat incidents be considered at the same time as the Drop Box and Baccarat Tournament matters are heard;
- arrangements be made for these four matters to be listed for hearing on a date in early June 1998 when a quorum of Members is available to form a panel.

3. Investigations

Members noted that three investigations had been concluded in the month of March 1998, with a further investigation which may involve disciplinary action against Crown Limited underway.

4. Minors in the Casino

Members noted that four minors were detected and removed from the casino during the month of March 1998 and that a total of 2,179 persons suspected of being a minor or who could not produce adequate proof of age were refused entry to the casino in the same period.

5. Appeals Against Exclusion Orders

Members noted developments in relation to a number of appeals against exclusion orders, in particular that:

- there were no appeals against exclusion orders issued by Crown Limited during March 1998;
- appeal briefs for Messrs Papdanco and Bizzotto have been prepared and will be referred to an Authority legal adviser for the scheduling of mediation sessions between Crown Limited and the appellants prior to a hearing date being set.

VCGA Authority Meeting

6. Approvals Under Delegation

Members noted that a committee comprised of the Chairman of the Authority and the Director of Gaming and Betting made the following approvals or amendments under delegation for the month of March 1998:

Internal Control Manual

- Part XIII - Surveillance Department - to allow for changes to a form used for reviewing play from a Major Losing Shoe, Baccarat.

Members also noted the approval of twenty six casino special employee licences by officers of the Licensing and Compliance Branch, under delegation of the Director of Casino Surveillance.

7. Junket Operator/Representative - Full Approvals

Members noted that, since meeting No 119, held on 31 March 1998, three Junket Operator/Representative full approvals have been granted:

- Ping HUANG
- Kim Hock TEO
- Yuet Ching LIEN

8. Junket Operator/Representative Preliminary Approvals

Members noted that, since meeting No 119, held on 31 March 1998, six Junket Operator/Representative preliminary approvals have been granted as follows:

- Pin Pin TIOPAN
- Seow Yen TAY
- Wee Gin NG
- Kew Guan ANG
- Kenneth Wi Ming AW
- Yoon Thiam LIEW

9. Crown Limited Quarterly Results

Members noted information concerning Crown Limited's first quarterly report to the Australian Stock Exchange, issued on 17 April 1998 as part of the casino operator's new policy of greater disclosure.

10. Theft by Dealer

Members noted information concerning the dismissal of a dealer by Crown Limited for having stolen gaming chips valued at \$2,500.

Members also noted, from an oral report by the Director of Casino Surveillance, that Crown Limited has indicated a Risk Management Assessment is to be undertaken in response to this incident.

11. Casino Boundaries

Members noted a report concerning a Crown Limited proposal for a further change to the casino boundaries.

5(b) Approval of EGMs - Aristocrat

Members considered a report regarding the operation of new Aristocrat EGM games at the Melbourne Casino at Southbank and, noting that the Authority's testing agent, BMM, has tested the games and recommended them for approval, and the Authority's Manager, Gambling Operations and Audit supports the recommendation made by BMM, agreed to approve:

- inclusion of the games known as Money Mouse and Reel Power on a new list of Aristocrat games; and
- that the new list of Aristocrat games including the games known as Money Mouse and Reel Power be submitted for gazettal by the Director of Gaming and Betting.

5(c) Casino Boundaries

Members considered a submission from Crown Limited seeking the Authority's approval to redefine the casino boundaries by:

- excluding an area near the Atrium Information booth previously designated to accommodate a "Learn to Play" area;
- excluding a portion of the retail area near the "Map Room" entrance; and
- including the Kings Buffet Restaurant and adjacent toilet facilities.

Members agreed, noting that the fee of \$6,300 due under the applicable legislation has been paid, and that a minor concern was evident with respect to the proposed change at the south west end of the Melbourne Casino Complex, to:

- approve, under section 17 of the *Casino Control Act* 1991, the redefinition of the gaming area of the Melbourne Casino as marked in red on Plan No 93000 A1-0102 28 - Floor Plan Level - Ground RL 2.4; and
- authorise the Chairman to sign a certificate of approval affixed to the Plan, recording the Authority's approval of the new casino boundaries.

5(d) Breaches of the Casino Agreement by Crown Limited

Members considered a report notifying Crown Limited's response to the service of five Notices under the Melbourne Casino Project Agreement and agreed to delegate to the Chairman and Director of Gaming and Betting the task of:

- receiving legal advice concerning a supplemental agreement; and
- to approve the form of the agreement as settled by the Authority's Legal Advisors.

5(e) Crown Limited Gearing Ratio

{Mr Robert Chappell rejoined the meeting for this Item and Item 5(f)}

Members considered a report on the definition of the gearing ratio to be specified in clause 22.1(m) of the Casino Agreement and agreed that:

- the paper submitted be amended at paragraph two by the addition of the words "(if any)" after the word "Agreement" in the first sentence;
- the paper submitted be amended at paragraph seven to clarify that Crown Limited's Proposal 1 was not accepted at the 31 March 1998 meeting of the Authority but was recognised as the only possibility of the three proposals submitted by Crown Limited;
- proposed clause 22.10 of the Casino Agreement be amended to a new sub clause that the Authority is satisfied, on the basis of representations made by the company, that the ratio under clause 22.8 will be less than 60% on or before a calculation date acceptable to the Authority;
- that further consideration of the matter be deferred to a future meeting of the Authority.

5(f) Acquisition of Crown Management Rights

Members considered a report on the proposed acquisition by Crown Limited of Crown Management Pty Ltd from Hudson Conway Limited.

Members noted that a copy of the signed final version of the independent expert's advice to Crown Limited regarding the proposed acquisition had been received and that there had been only one material change from the draft version provided earlier to the Authority, namely amendment of paragraph 11(a) which now reads as follows: "the present value of the projected management fees payable to Crown Management under the Operations Agreement is between \$235 million and \$250 million".

VCGA Authority Meeting

Members agreed:

- to the acquisition by Crown Limited of Crown Management Pty Ltd from Hudson Conway Limited on the basis set out in the draft Explanatory Memorandum to Shareholders dated 22 April 1998 for the purposes only of clauses 22.1(k) and 22.1(i) of the Casino Agreement;
- to the Authority's approval being issued in the form of Annexures A to D of the paper submitted to the meeting which were prepared by Minter Ellison; and
- to the amendment of the Operations Agreement by the addition of the following words at the beginning of clause 26.4 of the Operations Agreement - "Unless the parties otherwise agree in respect of a particular month or months".

ITEM 6 APPEALS AND DISCIPLINARY ACTION

6 (a) Disciplinary Action Against Licence Holder - Burton

Members considered a report concerning disciplinary action against Ms Michelle Burton and agreed:

- that the Authority hear oral submissions from Ms Burton; and
- to note that a pre-hearing conference is to be scheduled by the Legal and Legislation Branch.

6 (b) Disciplinary Action Against Licence Holder - Mascini

Members noted a submission from Ms Tracy Mascini to the Authority in response to a letter from the Authority dated 17 March 1998.

Having considered all the material referred to it, including the Certified Extract of the Magistrates' Court at Sunshine, the Order made on 11 December 1997, and the plea of guilty by Ms Mascini to a breach of Act 6231.74, the Authority determined that:

- there are grounds for disciplinary action under section 51(1)(b) of the *Gaming Machine Control Act* 1991 as recommended by the Director of Gaming and Betting;
- disciplinary action be taken against Ms Tracy Mascini; and
- the appropriate disciplinary action to be taken is cancellation of her licence, No S96/82710.

6 (c) Disciplinary Action Against Licence Holder - Jennings

Members noted that Mr Dean Jennings had not made a submission to the Authority in response to a letter from the Authority dated 17 March 1998.

Having considered all the material referred to it, including the Certified Extract of the Magistrates' Court at Ballarat, the Order made on 18 December 1997, and the plea of guilty by Mr Jennings to breaches of Act 6231.74, the Authority determined that:

- there are grounds for disciplinary action under section 51(1)(b) of the *Gaming Machine Control Act 1991* as recommended by the Director of Gaming and Betting;
- disciplinary action be taken against Mr Dean Jennings; and
- the appropriate disciplinary action to be taken is cancellation of his licence, No S97/21957.

6 (d) Disciplinary Action Against Licence Holder - Gleich

Members considered a report in relation to disciplinary action against special employee licence holder Ms Annette Gleich.

Members:

- agreed to note that there are grounds for disciplinary action under paragraph (e) of section 51 of the *Gaming Machine Control Act 1991*; and
- agreed with the Director of Gaming and Betting's recommendation that disciplinary action not be taken in this instance due to the circumstances of Ms Gleich's bankruptcy.

6 (e) Disciplinary Action Against Licence Holder - Traralgon Returned Services Club

Members considered a report concerning disciplinary action against the Traralgon Returned Services Club and agreed:

- that the Authority hear oral submissions from the Traralgon Returned Services Club; and
- to note that a pre-hearing conference is to be scheduled by the Legal and Legislation Branch.

6 (f) Disciplinary Action Against Licence Holders - Register

Members agreed to note the updated Register recording the results of disciplinary action recommended by the Director of Gaming and Betting and taken by the Authority against licensed venue operators and special employees.

VCGA Authority Meeting

6 (g) Authority Hearings

Members considered a report regarding arrangements for hearings to be conducted by the Authority and agreed:

- to schedule hearings in the last week of May 1998 for the purpose of considering the matter of Coburg Jackpots.;
- to schedule hearings in the first week of June 1998 for the purpose of considering four disciplinary matters relating to Crown Limited; and
- to list for hearing the matter of oral submissions from the Traralgon Returned Services Club.

ITEM 7 OTHER BUSINESS**7 (a) Approval of New Gaming Machine Games - Reel Power**

Members agreed, noting that the Authority's testing agency, BMM, has completed testing and recommended approval, to approve the following electronic gaming machine game to operate in Tattersall's VLC gaming network subject to the conditions mentioned below:

Game Details

Game Name	Game Variation	Return to Player %	Coin In	Denomination \$, c
Reel Power	02	89.95	\$1	1c, 2c, 5c, 10c, 20c, \$1
Reel Power	03	91.99	\$1	1c, 2c, 5c, 10c, 20c, \$1

EGM Types: Mark 5, MVP

Top Box Style: High Boy

Conditions

1. This game is only to be configured via the monitoring system using the game parameters specified by the manufacturer.
2. The Bill Acceptor disable limit must not be configured higher than \$9,899.

VCGA Authority Meeting

7 (b) Research Status Report

Members considered a report on the progress of the research program and agreed to note the status of:

- the research initiatives being undertaken; and
- the Research and Development Fund as at 31 March 1998.

7 (c) Research Committee Charter

Members considered a report on an amended form of the Research Committee Charter and agreed to adopt the Charter as set out at Attachment 1 of the paper submitted to the meeting.

7 (d) Research Funding

Members considered a report regarding funding for the 1998-99 Research Program of the Authority.

Members noted the following changes to the particulars of the Research Program, made at the Research Committee meeting of 28 April 1998:

- in relation to the project titled "Evaluation and Further Use of Existing Data Sets", the deletion of the second sentence in the second paragraph, namely "The data being referred to is the data collected as part of the community gambling patterns survey series conducted in 1996 and 1997.";
- in relation to the project titled "The Impact of Gaming on Specific Cultural Groups" replacement, in the fifth paragraph, of the words "both cultural and religious differences and the overlap between the two." with the words "a range of culturally related dimensions including nationality, ethnicity, religion and language."; and
- in relation to the project titled "The Impact of Gaming on Specific Cultural Groups" replacement, in the sixth paragraph, of the word "leaders" with the word "members" and the addition of the phrase "avenues for collection and background information on" after the word "establish".

Members agreed that the Authority seek funding of \$1,440,000 from the Community Support Fund for the 1998-99 Research Program in the amended form of the Attachment to the paper submitted to the meeting.

7 (e) Post Employment Restrictions

Members considered a report on legal advice with regard to decisions on requests by staff to waive the post-employment restrictions applicable under section 128(4) of the *Gaming and Betting Act 1994*.

Members agreed that the matter should be the subject of further investigation and that a report be prepared for a future meeting of the Authority.

7 (f) Roll of Recognised Manufacturers

Members considered a report providing further advice regarding the commencement of operation of sections 22, 23, 34(1) and 34(2) of the *Gaming Acts (Miscellaneous Amendments) Act 1997* and agreed to:

- approve the application form currently in use for listing on the Roll, the Chairman of the Authority having indicated satisfaction with the document;
- note the further advice, in particular that sections 22, 23, 34(1) and 34(2) of the *Gaming Acts (Miscellaneous Amendments) Act 1997* were proclaimed to come into effect on Tuesday 7 April 1998 at the Executive Council meeting held that day; and
- accept the Roll of Recognised Manufacturers and Suppliers of Gaming Machines and Restricted Components from the Director of Gaming and Betting.

7 (g) Crown Limited Allegations

Members considered a report providing advice in relation to an appropriate course of action to be followed by the Authority in responding to allegations made by Mr Geoffrey Cousins.

Members agreed:

- to note the advice of Mr David Habersberger QC in relation to the appropriate course of action to be followed by the Authority in responding to allegations made by Mr Geoffrey Cousins;
- to note that the Director of Casino Surveillance and the Compliance Manager will be conducting an interview with Mr Cousins pursuant to their powers as casino inspectors under the *Casino Control Act 1991* for the purposes of obtaining further information about -
 - * issues arising out of Mr Cousins' letter of resignation;
 - * corporate governance issues relevant to the casino operator; and

VCGA Authority Meeting

- * issues arising out of the letter from the Chairman of Hudson Conway Limited to the Australian Stock Exchange;
- to delegate the Authority's powers under section 26 of the *Casino Control Act* 1991 to the Director of Gaming and Betting to enable further investigation of the matters raised in the Cousins letter and other material; and
- that the Legal and Legislation Branch monitor progress of the investigation in the context of procedural fairness being afforded to the casino operator.

ITEM 8 REPORTS**8 (a) Use of the Official Seal**

Members agreed to note the report by the Legal and Legislation Branch relating to the use of the official seal up to and including 22 April 1998.

8 (b) Minor Gaming Statistics Report

Members noted the report on minor gaming activities which provides statistical details regarding the number of permits, licences and consents issued during March 1998.

8 (c) Financial Monitoring

Members agreed to note the financial monitoring report for the month of March 1998.

8 (d) Hudson Conway Status Report

Members agreed to note the report on the status of investigations by the Victoria Police Major Fraud Group concerning allegations that Hudson Conway Limited concealed tenders in relation to the Capital Plaza office building project for the Gas and Fuel Corporation (now SECV).

8 (e) Year 2000 Compliance

Members agreed to note the status report on action being taken to ensure that the Authority, gaming operators and crucial service suppliers are, or will be, able to meet the IT requirements for Year 2000 compliance.

8 (f) Criminal Prosecutions Register

Members agreed to note the register indicating the results of matters heard and determined in the Magistrates' Court in the financial year to 21 April 1998.

8 (g) Approvals Under Delegation - *Gaming Machine Control Act* 1991

Members agreed to note the list of approvals granted to manufacturers and operators for modifications to electronic gaming equipment under sections 69(5B) and

VCGA Authority Meeting

75B(3)(b) of the *Gaming Machine Control Act* 1991 for the period 24 March 1998 to 22 April 1998.

8 (h) Approvals Under Delegation - *Gaming and Betting Act* 1994

Members agreed to note the list of approvals granted to TABCORP for minor modifications and changes under section 70 (2) of the *Gaming and Betting Act* 1994 for the period 24 February 1998 to 24 March 1998.

8 (i) Statistics

Members noted the regular statistical report on lotteries, wagering, electronic gaming, Club Keno and casino gaming.

Members also noted that the report has been expanded to include information in the form of maps and tables derived from the Authority's baseline database.

8 (j) Board Papers

Members noted the timetable for the distribution of Authority papers, in particular that there is a trade off required to maximise both reading time for Members and processing time to accommodate the Authority's clients.

Members also noted that:

- the deadline for distribution of papers to Members could be advanced to allow more reading time; and
- an investigation is under way to establish the feasibility of processing Authority papers electronically, with a paper anticipated to be submitted to the 26 May 1998 meeting of the Authority.

ITEM 9 NEXT MEETING

Members noted that the next scheduled meeting of the Authority is Tuesday 26 May 1998 commencing 2.15 pm in the Authority board room.

The meeting closed at approximately 5.10 pm

Signed.....

Chairman

...../...../..... Dated

VICTORIAN CASINO AND GAMING AUTHORITY

COMMERCIAL IN CONFIDENCE

MINUTES OF MEETING NO. 122

TELEPHONE / FACSIMILE MEETING
TUESDAY, 12 MAY 1998

ITEM 1 PARTICIPANTS:

Present

Professor Anne Edwards	Deputy Chairperson (Chair)
Mr Henry Bosch	
Reverend Professor Robert Gribben	
Dr Desmond Hore	
Mr Donald Swan	
Professor Trang Thomas	

In Attendance

Mr Peter Cohen	Manager Licensing and Compliance
Mr Kenneth McLeod	Secretariat Officer

Apologies

Mrs Sue Winneke	Chairman
Mr George Davis	

ITEM 2 LICENSING

2(a) Approval of Venue Operator's Licence - New Venue

Members considered one application for a Venue Operator's licence and agreed as follows:

Venue	EGMs Proposed	Gaming Operator	Decision
i) The Crown Hotel	50/0	Tattersall's	Approved

VCGA Telephone Meeting

2(b) Licence Variation Applications

Members considered eleven applications for venue licence variations and decided as follows:

Venue	Prev EGMs	New EGMs	Operator	Decision
i) Ashley Hotel	70/0	90/0	TABCORP	Approved
ii) Bundoora Hotel	100/3	100/0	Tattersall's	Approved
iii) Echuca Workers & Sports Club	60/0	64/0	Tattersall's	Approved
iv) Gordon Hotel	23/3	26/0	Tattersall's	Approved
v) Green Gully Soccer Club	54/0	60/0	TABCORP	Approved
vi) Knox Tavern	75/2	77/0	TABCORP	Approved
vii) Moe Hotel	48/0	43/0	Tattersall's	Approved
viii) Newmarket Tavern	77/3	77/0	Tattersall's	Approved
ix) Sebastapol Bowling Club	40/0	42/0	Tattersall's	Approved
x) Wantirna Club	80/0	77/3	Tattersall's	Approved
xi) Whalers Inn	64/0	60/0	TABCORP	Approved

2(c) Venue Operator's Licence Application - Provisional

Members considered six applications for a provisional venue operator's licence and, noting that all these applications related to RSL clubs incorporating, necessitating investigation of associated individuals, decided as follows:

Venue	Period	Decision
i) Chelsea RSL Sub-Branch Inc	90 Days from 12 May 1998	Approved
ii) Horsham RSL Sub-Branch Inc	90 Days from 12 May 1998	Approved
iii) Lakes Entrance RSL Sub-Branch Inc	90 Days from 12 May 1998	Approved
iv) Northcote RSL Sub-Branch Inc	90 Days from 26 May 1998	Approved
iii) Oakleigh RSL Sub-Branch Inc	90 Days from 12 May 1998	Approved
iv) Waverlet RSL Sub-Branch Inc	90 Days from 12 May 1998	Approved

Members also agreed that the Northcote RSL Sub-Branch Incorporated be advised that if requested materials are not provided prior to midnight on 23 August 1998, the date on which the Provisional Venue Operator's Licence expires, a further Provisional Venue Operator's Licence may not be issued by the Authority.

2(d) Schedule of New Associates

Members considered three applications for approval of new associates and decided as follows:

VCGA Telephone Meeting

VENUE	NEW ASSOCIATE(S)	DECISION
Club Fogolar Furlan Ltd	CELLICH , Antonio VECCHIO , Giovanni VINCITORIO , Vincenzo	Approved
Club Tivoli Deutscher Verein Inc	RITTER , Helene Elisabeth	Approved
Italian Australian Sporting and Social Club of Australia	DI GIULIO , Franco	Approved
Maribyrnong Maidstone RSL Club	MUNRO , Raymond Charles WESTON , Thomas Lindsay	Approved

2(e) Batch Report - Compliance With Ministerial Directions

Members agreed to note the Batch Report for the 12 May 1998 meeting enabling the Authority to confirm the status of approved electronic gaming machine numbers compared with all Ministerial directions.

ITEM 3 OTHER BUSINESS**3(a) Disciplinary Action Against a Venue Operator - Fitarc Pty Ltd**

Members considered a report concerning disciplinary action against a venue operator, Fitarc Pty Ltd, and agreed that the venue operator be sent a letter asking the venue operator to show cause within 28 days why disciplinary action should not be taken pursuant to section 30 of the *Gaming Machine Control Act 1991*.

3(b) Disciplinary Action Against a Licence Holder - Thompson

Members considered a report concerning disciplinary action against Mr Bradley Thompson and agreed:

- that the Authority hear oral submissions from Mr Thompson; and
- that a pre-hearing conference be scheduled.

The meeting closed at approximately 5.25 pm.

Signed.....
Acting Chairperson

...../...../..... **Dated**

**Authority Meeting
Action Items Report**

MTG NO	MTG DATE	ITEM NO.	TASK	STATUS
84	18-Feb-97	9(d)	Regulations Under the Casino Control Act 1991: That further consideration be given to the construction of Part 2 of the Casino Control (Junkets and Premium Players) Regulations.	Draft regulations with Legal and Legislation Br. Consultant engaged to prepare a Regulatory Impact Statement. Due for completion by 30 June 1998.
100	24-Jun-97	8(r)	Declaration of Different Rate of Return-Maffra: That the Maffra Community Sports Club Inc be notified in writing that it has 21 days in which to show cause why it should not be taxed at the rate applicable to hotels.	Club management response being assessed. Paper to be submitted to 23 June 1998 meeting.
104	26-Aug-97	5(c)	Crown Limited As-Built Drawings: That the Authority's staff investigate the costs associated with setting up and maintaining an off-site storage facility.	Work is proceeding as and when staff are available. Crown Limited recently delivered about twice as many new documents which now need to be assessed. A paper is planned for the 23 June 1998 meeting of the Authority.
104	26-Aug-97	7(k)	Declaration of Different Rate of Return: That the Croydon Football Club Inc be notified that it has 21 days to show cause why it should not be taxed at the rate applying to hotels.	Club management response being assessed. Paper to be submitted to 23 June 1998 meeting.
106	29-Sep-97	2(c)	Action Items: That the Secretariat Officer & IT Manager investigate provision of Authority meeting material electronically by reference to City of Boroondara.	Report to 26 May 1998 meeting.
107	21-Oct-97	7(h)	Investigation of Company Listed on Roll of Manufacturers: That a committee consider the Director's letters and any responses received.	Awaiting further external legal advice.
107	21-Oct-97	7(h)	Investigation of Company Listed on Roll of Manufacturers: That the committee set a date for an inquiry under s111 of the <i>Gaming Machine Control Act 1991</i> , if deemed to be required.	Date to be set, if required, following decision by Committee.
107	21-Oct-97	7(h)	Investigation of Company Listed on Roll of Manufacturers: That the Authority's decision at the inquiry, if held, be announced publicly.	Subject to whether an inquiry is conducted.

**Authority Meeting
Action Items Report**

MTG NO	MTG DATE	ITEM NO.	TASK	STATUS
110	25-Nov-97	5(a)	DCS Report: That the Authority correspond with Crown Limited regarding management staff at the Melbourne Casino, in accordance with the minutes of the meeting.	Report to 26 May 1998 meeting.
110	25-Nov-97	7(g)	Performance Measures: That a further paper be prepared for the Authority which includes discussion of the matters referred to in the minutes of the meeting.	Internal Audit is addressing this issue.
114	20-Jan-98	5(a)	DCS Report - Management: That an analysis by the DCS of a Crown Ltd report on changes to casino management structure include a breakdown of staffing of the Melbourne Casino Complex.	Report to 26 May 1998 meeting.
114	20-Jan-98	6(c)	DA Against Licence Holder - Thompson: That a letter be sent to Mr Bradley Thompson giving notice re DA and providing an opportunity for submissions within 14 days.	Hearing scheduled for 27 May 1998.
116	24-Feb-98	4(d)	Venue operator's Licence Application - Provisional: That the DGB take steps to have ways of further improving processing time assessed, inclusive of the matters mentioned in the minutes of the meeting.	Business process re-engineering project will review all aspects of venue operator's licence assessment process.
116	24-Feb-98	4(g)	Bingo Permit Applications : That the DGB approve matters necessary or incidental to any appeal to the AAT for a review of the Authority's decision.	Authority's decision appealed to AAT. No action required as yet.
116	24-Feb-98	5(d)	Review of Casino Agreement: That the staff of the Authority commence negotiations with Crown Limited to replace the existing definition of the debt to equity ratio.	Report to 26 May 1998 meeting.
116	24-Feb-98	5(g)	Proposed Property Trust: That staff of the Authority continue their assessment of the implications of the proposal and obtain further external advice if required.	Pending further information.
116	24-Feb-98	6(c)	DA Against Licence Holder - McFarlane: That the Authority hear oral submissions from Ms Sarah McFarlane.	Hearing date to be fixed when licensee returns from overseas.

**Authority Meeting
Action Items Report**

MTG NO	MTG DATE	ITEM NO.	TASK	STATUS
116	24-Feb-98	6(c)	DA Against Licence Holder - McFarlane: That a pre hearing conference be scheduled.	Pre-hearing date to be fixed when licensee returns from overseas.
116	24-Feb-98	6(e)	DA Against Licence Holder - Tottle: That the Authority hear oral submissions from Mr Ryan Tottle.	Hearing scheduled for 27 May 1998.
116	24-Feb-98	6(g)	Appeal by Licence Applicant - Robertson: That a date be set for the Authority to hear the appeal.	Hearing scheduled for 27 May 1998.
116	24-Feb-98	6(i)	DA Against a Casino Operator - Minors: That a notice be served on Crown Limited to show cause within 14 days why DA should not be taken by the Authority.	Hearing conducted 1 April 1998. The Authority fined Crown Limited \$15,000.
116	24-Feb-98	6(k)	Authority Hearings - Foster: That a hearing be scheduled for Friday 3 April 1998 to hear an appeal by Mr Todd Foster.	Hearing postponed for up to 6 months pending further submissions by appellant.
116	24-Feb-98	7(a)	Audit Committee - Appointment of Member: That the matter be deferred until the 26 May 1998 meeting of the Authority.	Deferred pending identification of suitable candidates.
116	24-Feb-98	7(j)	Controlled Contract - Capital Club Pty Ltd: That the Authority send Crown Limited a notice to show cause within 14 days why DA should not be taken.	Peter Ronec to provide clarification of earlier written response.
119	31-Mar-98	5(f)	Regional Casinos: That the Chairman send a letter to the Minister for Gaming based on the draft set out at Attachment 5 to the paper submitted to the meeting.	Letter sent. Awaiting response.
119	31-Mar-98	5(g)	Crown Limited - Debt/Equity Ratio: That further consideration be given to the matter at the 28 April 1998 meeting.	Report to 26 May 1998 meeting.
119	31-Mar-98	5(j)	Breaches of the Casino Agreement by Crown Limited: That notices be served on Crown Limited in relation to leasing breaches.	Report to 26 May 1998 meeting.
119	31-Mar-98	5(j)	Breaches of the Casino Agreement by Crown Limited: That arrangements be made for scheduling of hearings within 5 days of the expiration of the 60 days associated with the issue of the notices.	Report to 26 May 1998 meeting.

**Authority Meeting
Action Items Report**

MTG NO	MTG DATE	ITEM NO.	TASK	STATUS
119	31-Mar-98	6(b)	DA Against a Casino Operator - Baccarat Tournament: That a show cause notice be served on Crown Limited pursuant to s20(2) of the <i>Casino Control Act</i> 1991.	Notice served. Response received requesting a hearing of the matter. Hearing date to be set.
119	31-Mar-98	6(c)	DA Against a Casino Operator - Baccarat: That a show cause notice be served on Crown Limited pursuant to s20(2) of the <i>Casino Control Act</i> 1991.	Notice served. Response received. Matter to be determined by the Authority.
119	31-Mar-98	6(d)	DA Against a Casino Operator - Carribean Stud Poker: That a show cause notice be served on Crown Limited pursuant to s20(2) of the <i>Casino Control Act</i> 1991.	Notice served. Response received. Matter to be determined by the Authority.
119	31-Mar-98	6(e)	DA Against a Casino Operator - Drop Box: That a show cause notice be served on Crown Limited pursuant to s20(2) of the <i>Casino Control Act</i> 1991.	Notice served. Response received requesting a hearing of the matter. Hearing date to be set.
119	31-Mar-98	6(h)	DA Against a Licence Holder - Blackmore: That Mr Blackmore's licence be cancelled.	Licence cancelled 31 March 1998. Letter sent. Awaiting return of licence.
119	31-Mar-98	6(i)	DA Against a Licence Holder - Epstein: That a pre hearing conference be scheduled.	Licence surrendered.
119	31-Mar-98	6(j)	DA Against a Licence Holder - Kutschbach: That Mr Kutschbach's licence be cancelled.	Licence cancelled 31 March 1998. Letter sent. Awaiting return of licence from Kutschbach's father as Kutschbach is overseas.
119	31-Mar-98	6(k)	DA Against a Licence Holder - Pocock: That a letter be sent to Ms Pocock regarding proposed DA.	Report to 26 May 1998 meeting.
119	31-Mar-98	6(k)	DA Against a Licence Holder - Van Arkadie: That a letter be sent to Mr Van Arkadie regarding proposed DA.	Letter sent. No reply. Report to 23 June 1998 meeting.
119	31-Mar-98	6(k)	DA Against a Licence Holder - Waine: That a letter be sent to Ms Waine regarding proposed DA.	Letter sent. No reply. Report to 23 June 1998 meeting.
119	31-Mar-98	6(k)	DA Against a Licence Holder - Deane: That a letter be sent to Mr Deane regarding proposed DA.	Letter sent. Response received. Hearing requested.
119	31-Mar-98	6(m)	Authority Hearings: That staff of the Authority examine the processes in place for appeals and disciplinary action.	Report to future meeting of Authority.

**Authority Meeting
Action Items Report**

MTG NO	MTG DATE	ITEM NO.	TASK	STATUS
119	31-Mar-98	7(e)	Casino Model: That the Sheraton Leighton casino model be returned to the applicant.	Arrangements to be made for the architects to uplift the model when staff is available to supervise.
121	28-Apr-98	5(a)	DCS Report: That arrangements be made for four Crown Limited disciplinary matters to be listed for hearing on a date in early June 1998.	Hearing date to be fixed.
121	28-Apr-98	5(b)	Approval of EGMs: That the new list of Aristocrat games be submitted for gazettal by the DGB.	Completed.
121	28-Apr-98	5(c)	Casino Boundaries: That the Chairman sign a certificate of approval affixed to the plan.	Completed.
121	28-Apr-98	5(d)	Breaches of the Casino Agreement: That the Chairman and DGB approve the form of the Agreement as settled by the Authority's Legal Advisers.	Report to 26 May 1998 meeting.
121	28-Apr-98	5(e)	Crown Ltd Gearing Ratio: That the paper submitted be amended as per the minutes of the meeting.	Report to 26 May 1998 meeting.
121	28-Apr-98	5(e)	Crown Ltd Gearing Ratio: That proposed clause 22.10 of the Casino Agreement be amended as per the minutes of the meeting.	Report to 26 May 1998 meeting.
121	28-Apr-98	5(f)	Acquisition of Crown Management Rights: That the Authority issue its approval in the form of Annexures A to D to the papers submitted.	Completed.
121	28-Apr-98	5(f)	Acquisition of Crown Management Rights: That the Operations Agreement be amended as per the minutes.	Report to 26 May 1998 meeting.
121	28-Apr-98	6(a)	Disciplinary Action Against Licence Holder: That the Authority hear oral submissions from Ms Burton and a pre-hearing conference be scheduled.	Hearing scheduled for 27 May 1998.
121	28-Apr-98	6(b)	Disciplinary Action Against Licence Holder: That the licence of Ms T Mascini be cancelled.	Licence cancelled. Letter sent. Awaiting response.

**Authority Meeting
Action Items Report**

MTG NO	MTG DATE	ITEM NO.	TASK	STATUS
121	28-Apr-98	6(c)	Disciplinary Action Against Licence Holder: That the licence of Mr D Jennings be cancelled.	Licence cancelled. Letter sent. Awaiting response.
121	28-Apr-98	6(e)	Disciplinary Action Against Licence Holder: That the Authority hear submissions from Traralgon RSL and a pre-hearing conference be scheduled.	Hearing date to be fixed for oral submissions.
121	28-Apr-98	6(g)	Authority Hearings: That hearings be scheduled in the last week of May 1998 to hear the matter of Coburg Jackpots.	Hearing scheduled for 2-4 June 1998.
121	28-Apr-98	6(g)	Authority Hearings: That hearings be scheduled in the first week of June 1998 to consider four Crown Ltd disciplinary matters.	Hearing date to be fixed.
121	28-Apr-98	7(d)	Research Funding: That the Authority seek funding from the CSF for the 1998-99 Research Program as per the minutes of the meeting.	Submission forwarded to the Minister for Gaming on 30 April 1998.
121	28-Apr-98	7(e)	Post Employment Restrictions: That the matter be the subject of further investigation and that a report be prepared for a future meeting of the Authority.	Clarification of legal advice being sought. Further paper to 23 June 1998 meeting after receipt of additional external legal advice.
121	28-Apr-98	7(g)	Crown Ltd Allegations: That, under delegation, the DGB further investigate the matters raised in the Cousins letter.	Investigation proceeding.
121	28-Apr-98	7(g)	Crown Ltd Allegations: That the Legal Branch monitor progress of the investigation in the context of procedural fairness being afforded to the casino operator.	Monitoring is being carried out.

VICTORIAN CASINO AND GAMING AUTHORITY

Commercial-in-Confidence

CROWN LIMITED'S GEARING RATIO

PURPOSE

1. To update the paper presented on the matter of Crown's Gearing Ratio at the 28 April 1998 meeting of the Authority and to seek approval of a Seventh Variation Agreement to the Casino Agreement, to implement a new definition of the gearing ratio specified in clause 22.1 (m) of the Casino Agreement and the inclusion of seven new related clauses (22.6 to 22.12) as recommended by Minter Ellison in Attachment A.

BACKGROUND

2. At the Authority meeting on 24 February 1998, members agreed that the only change to be made to the Casino Agreement, if any, was to the definition of the gearing ("debt to equity") ratio. At the Authority meetings on 31 March and 28 April 1998, members considered further submissions on the matter.
3. The Crown Submission of 11 March 1998, (which was provided as Attachment A to the paper considered at the 31 March meeting) in addition to requesting a redefinition of the gearing ratio, also requested that provision be made for Crown to exceed the 60% threshold, under certain circumstances, because of the volatility of the casino industry. It proposed that if the ratio is greater than 60% but less than 65%, it would not be in breach of the Casino Agreement, if the Authority is satisfied with the underlying solvency of Crown, based on a proposed "Solvency Report" prepared by its auditors Ernst & Young.
4. At the Authority meeting on 28 April 1998, members considered a further paper on the matter including a supplementary submission from Crown dated 20 April 1998 (which was provided as Attachment B to the paper). Members were advised that separate meetings had been held with Crown, Minter Ellison and Pannell Kerr Forster (PKF) regarding the outstanding matters, and in particular, the form, content and timing of the Solvency Report. Members requested that a further clause be added relating to the period of time in which the company expected the gearing ratio to comply with clause 22.1(m).

COMMENTS

5. As noted previously, Crown's overcapitalisation of the Southbank Casino Complex, whilst contributing to the third object of the Authority (section 140 of the *Casino Control Act 1991*) of "promoting tourism, employment and economic development generally in the State", was destined to put pressure on Crown's profitability and its financial ratios. This position has now deteriorated further as a result of the Asian economic crisis.

6. In the current circumstances, there are grounds for consideration being given to a minimal redefinition of the gearing ("debt to equity") ratio, particularly to remove a number of uncertainties. At the 31 March 1998 meeting, members agreed that further consideration could be given to the possible adoption of Crown's Proposal 1, being the ratio of Total Liabilities to Total Assets. This was consistent with the Brief to Applicants which stated (on page B7) that "following the opening of the Casino, total debt is not to exceed 60% of the sum of total debt plus total equity without the prior written approval of the Authority".
7. In its submission of 25 February 1998, Crown provided the following comparison of Proposal 1 with the current definition:

<u>Alternative</u>	<u>Maximum</u>	<u>31 Dec 1997 Actual</u>	<u>31 Dec 1997 plus \$146m</u>
Current Definition	60%	63.9%	59.4%
Crown Proposal 1	60%	60.8%	57.0%
Variation	Nil	3.1%	2.4%

8. As noted in the previous two papers, failure to recognise changed circumstances could result in the need to issue notices to Crown, for excesses caused by fluctuating commercial circumstances (in particular anticipated write down in the valuation of assets and amendments to accounting standards), which could have unintentional adverse impacts on casino revenue and the casino's financial stability.
9. Clause 22.1(m) of the Casino Agreement provides limited flexibility to the Authority to permit the Casino Operator to exceed the 60% limit, with its prior written approval. However, this is only effective where Crown has adequate advanced warning of the event and has sufficient time to obtain the Authority's prior written approval. Because of Crown's current high actual gearing ratio, it would be prudent for the Authority to have greater flexibility with regard to the issuance of a notice, in the event that the 60% threshold is breached.
10. Sydney Harbour Casino (SHC) has recently been allowed by the NSW Casino Control Authority (CCA) to increase its gearing ratio (as defined in their confidential Facility Agreement) from 60% to 70%.
11. Advice from Minter Ellison dated 19 May 1998, regarding the proposed redefinition of the gearing ratio and the proposed solvency report which is to be provided if and when Crown exceeds the 60% threshold, is provided as **Attachment A**. This includes a draft of the proposed Seventh Variation Agreement to the Casino Agreement which provides new definitions to be included in clause 2, a replacement clause 22.1(m) and seven proposed new clauses (Clauses 22.6 to 22.12) to be incorporated into the Casino Agreement. New clauses 22.10 and 22.12(c) have been added as a result of comments made by members at the 28 April 1998 meeting.
12. A proforma setting out the detailed requirements of the Solvency Report, which has been prepared by staff of the Authority is provided as a schedule to the draft Seventh

Variation Agreement. This proforma has been reviewed by Minters, PKF and Crown and they see no problems with it.

13. Advice from PKF regarding the scope and timing of a solvency report in the event that the Authority decides to agree to the Crown proposal was provided as Attachment E to the previous paper. Advice from PKF regarding the proposed changes to the gearing ratio was also provided as Attachment C to the paper considered by the Authority at its 31 March 1998 meeting.
14. If the Authority determines to approve the proposed amendments to the Casino Agreement including the form, content and timing of the solvency report, as set out in the attached draft Seventh Variation Agreement, the proposed changes would require the formal approval of Crown Limited. The consents would then have to be obtained from the Minister for Gaming and from ANZ Capel Court, the Agent for Crown's Financiers.
15. Crown has been advised and has agreed that if the Authority agrees to the proposal, in the event of the ratio exceeding 60%, a Solvency Report would be issued monthly. Crown has also indicated that the calculation of the debt to equity ratio would be available to the Authority between 10 and 15 working days after the end of the month and the Solvency Report would be available 5 or 6 days later ie. prior to the end of the following month. The documentation provides that the Solvency Report must be provided to the Authority by the last day of the following month.

RECOMMENDATION

16. That the Authority agree to the Seventh Variation Agreement to the Casino Agreement, incorporating a redefinition of the gearing ratio in clause 22.1 (m) to require the ratio of Total Liabilities to Total Assets not to exceed 60% without the prior written approval of the Authority as drafted by Minter Ellison in Attachment A, subject to formal agreement being received to the proposed amendments to the Casino Agreement from Crown Limited, the Minister for Gaming and ANZ Capel Court on behalf of Crown's financiers.

Approved:



.....
Director of Gaming and Betting

MEETING DATE: 26 May 1998

Source: Bill Balgowan - Casino Project Manager
 Robert Chappell - Legal Adviser



Attachment A

POSTAL ADDRESS
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 INTERNATIONAL +61 3 9229 2000
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 CONTACT
 Nick Broome
 (03) 9229 2820
 OUR REFERENCE
 NCB 1154197

19 May 1998

Mr Bill Lahey
 Director of Gaming and Betting
 Victorian Casino and Gaming Authority
 Level 5
 35 Spring Street
 MELBOURNE VIC 3000

Dear Bill

Seventh Variation Agreement to the Casino Agreement

I refer to my recent correspondence and discussions with Robert Chappell and Bill Balgowan, and enclose for your consideration a draft of the Seventh Variation Agreement to the Casino Agreement.

The following changes are proposed to the Casino Agreement.

1. The 'gearing' ratio which Crown Limited ('Crown') is required to observe under clause 22.1(m) is to be amended so that the ratio is 60% of total liabilities to total assets [REDACTED]
2. The new clause 22.6 enables the Authority to give prior approval to Crown exceeding the permitted gearing ratio subject to such conditions as the Authority determines. [REDACTED]
3. Under the proposed new clause 22.7, the Authority agrees to discuss with Crown the possibility of amending the Casino Agreement if there are changes to the Australian Accounting Standards which will have a material impact on Crown's ability to comply with the gearing ratio [REDACTED]

The amendments would seek to ensure that the economic effect of the relevant provisions of the Agreement remains the same. However, the Authority is not obliged to agree to any amendments.

4. The proposed new clauses 22.8 to 22.12 introduce a regime which:
- (a) requires Crown to calculate the gearing ratio on the last day of every month;
 - (b) if Crown is in breach (ie the ratio exceeds 60%), requires Crown to procure that its auditor provides to the Authority a solvency report in the agreed form;
 - (c) gives Crown the opportunity to make submissions in relation to the time within which the breach of the gearing ratio will be remedied and in respect of the overall financial position of the Crown group;
 - (d) allows the Authority to require Crown to provide further information in relation to a solvency report or the financial position of the Crown group; and
 - (e) provides that notwithstanding a breach of the gearing ratio, the Authority will not issue a notice under clause 31.2 of the Casino Agreement in respect of the breach if:
 - the solvency report of the auditor concludes that Crown is solvent;
 - the Authority is satisfied that Crown will remedy the breach within a period acceptable to the Authority; and
 - the Authority is satisfied with the overall financial position of Crown and the Crown group.



I note additionally that I have included a new sentence to the auditor's opinion section of the solvency report so that, consistent with proposed clause 22.12(b), the auditor is required to provide a positive opinion in relation to Crown's solvency.

Please do not hesitate to call me if you have any questions.

Yours sincerely



Nick Broome

enclosure

VICTORIAN CASINO AND GAMING AUTHORITY

CROWN LIMITED

MELBOURNE CASINO PROJECT

**SEVENTH VARIATION AGREEMENT
TO THE CASINO AGREEMENT**

Draft: 14 May 1998

MINTER ELLISON
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COMMERCIAL IN CONFIDENCE

MELBOURNE CASINO PROJECT

SEVENTH VARIATION AGREEMENT TO THE CASINO AGREEMENT

DEED dated 1998

BETWEEN **VICTORIAN CASINO AND GAMING AUTHORITY**, a statutory authority established under the *Gaming and Betting Act 1994* with its office at Level 5, 35 Spring Street, Melbourne ('**Authority**')

AND **CROWN LIMITED** ACN 006 973 262 of Level 1, 99 Queensbridge Street, Southbank ('**Company**')

RECITALS

- A. The Authority and the Company entered into an agreement dated 21 September 1993 providing among other things for the grant of the Casino Licence to the Company ('**Casino Agreement**').
- B. The Casino Agreement has been varied by documents dated 19 November 1993, 31 March 1994, 25 May 1994, 7 March 1995(2) and 8 May 1997.
- C. The parties have agreed to amend the Casino Agreement in the manner set out in this document.
- D. The Minister has given approval to the Authority entering into this document under section 142 of the *Casino Control Act* and in accordance with clause 4 of the Casino Agreement.

AGREEMENT

1. DEFINITIONS

Unless the context otherwise requires or the contrary intention appears, terms defined in the *Casino Control Act* or the Casino Agreement have the same meaning when used in this document.

2. VARIATION OF CASINO AGREEMENT

The parties agree that the Casino Agreement is varied with effect from the date of this document in the following manner:

- (a) the following definitions are included in clause 2 in their appropriate alphabetical order:

'**Group**' means the Company and its Subsidiaries and any other entity which the directors of the Company are required to consolidate in the consolidated

profit and loss accounts and balance sheets of the Company under the *Corporations Law*;

'**Solvency Report**' means a report prepared in accordance with Australian Auditing Standard AUS 904 'Engagement to Perform Agreed Upon Procedures' and paragraphs .21(a) to (e), .23 and .24 of Australian Auditing Standard AUS 708 'Going Concern' and in a form approved by the Authority from time to time;

'**Total Assets**' means the aggregate of all assets of the Group which according to Australian Accounting Standards are defined, or would be regarded, as assets;

'**Total Liabilities**' means the aggregate of all liabilities of the Group which according to Australian Accounting Standards are defined, or would be regarded, as liabilities;

- (b) the definitions of 'Liabilities' and 'Shareholders' Funds' in clause 2 are deleted;
- (c) clause 22.1(m) is deleted and the following substituted:
 - '(m) subject to clauses 22.6 and 22.12, the Company must procure that at any time Total Liabilities does not exceed 60% of Total Assets without the prior written approval of the Authority;'
- (d) the following clauses are inserted as clauses 22.6 to 22.12:
 - '22.6 Any approval given by the Authority under clause 22.1(m) may be given subject to such conditions as the Authority determines.
 - 22.7 If at any time there is any change in Australian Accounting Standards and such change will have a material impact on the compliance by the Company with clause 22.1(m), the Authority agrees to discuss with the Company amendments that may be required to the definitions relevant to clause 22.1(m) to ensure that the provisions of this document would have the same economic effect had such a change to the Australian Accounting Standards not been made. The Authority is not obliged to agree to any such amendments.
 - 22.8 For the purpose of monitoring compliance by the Company with clause 22.1(m), the Company must calculate the ratio of Total Liabilities to Total Assets as at the last day of every month ('**Calculation Day**') and provide to the Authority written details of such calculation within not less than 10 Business Days after the Calculation Day.
 - 22.9 If the ratio calculated under clause 22.8 is greater than 60%, the Company must procure that its auditor provides to the Authority a Solvency Report in respect of the Company addressed to the Authority by not later than the last day of the month following the Calculation Day.

- 22.10 If the ratio calculated under clause 22.8 is greater than 60%, the Company may make written submissions to the Authority for consideration by the Authority for the purposes of clause 22.12 in relation to the period within which the Company expects the ratio will not exceed 60% and the financial position of the Company and the Group. Any such written submissions must be provided to the Authority by not later than the last day of the month following the Calculation Day.
- 22.11 The Authority may by notice in writing to the Company require the Company to provide to the Authority within the period specified in the notice such further information as the Authority requires in relation to a Solvency Report or the financial position of the Company and the Group.
- 22.12 If
- (a) the ratio calculated under clause 22.8 is greater than 60%;
 - (b) the Solvency Report provided under clause 22.9 concludes that there is a reasonable basis for believing that the Company will meet its debts as and when they fall due for the next 12 months;
 - (c) the Authority is satisfied that the Company will comply with clause 22.1(m) within a period acceptable to the Authority; and
 - (d) the Authority is otherwise satisfied with the financial position of the Company and the Group;

the Authority will not issue a notice to the Company under clause 31.2 of this document in respect of the breach of clause 22.1(m).'

3. SOLVENCY REPORT

Unless the Authority gives written notice to the Company otherwise, the form of solvency report included in the schedule to this document is taken to be approved by the Authority for the purposes of the definition of 'Solvency Report' in the Casino Agreement.

4. CONFIRMATION OF OTHER TERMS

The parties acknowledge and confirm that except as varied by this document, the terms and conditions of the Casino Agreement remain in full force and effect.

5. GENERAL PROVISIONS

Clauses 36 and 40 to 47 (inclusive) of the Casino Agreement apply to this document as if expressly included in this document.

EXECUTED as a deed.

THE OFFICIAL SEAL of VICTORIAN)
CASINO AND GAMING AUTHORITY)
is affixed in accordance with the directions)
of the members in the presence of)

.....
Chairman

.....
Director of Gaming and Betting

.....
Name of Chairman (print)

.....
Name of Director of Gaming and Betting (print)

THE COMMON SEAL of CROWN)
LIMITED is affixed in accordance with its)
articles of association in the presence of)
)

.....
Secretary

.....
Director

.....
Name of secretary (print)

.....
Name of director (print)

SCHEDULE
SOLVENCY REPORT

TO: Victorian Casino and Gaming Authority

Purpose of report

This report is prepared for the purposes of clause 22.9 of the Casino Agreement between Crown Limited and the Victorian Casino and Gaming Authority, Crown Limited being required by clause 22.9 of that agreement to procure this report on account of it being in breach of clause 22.1(m) of the agreement. We have a copy of the Casino Agreement and are aware of its contents.

Calculation date

The calculation date for the preparation of this report is *[relevant calculation date]*, on which date the debt/equity ratio for the purposes of clause 22.1(m) of the Casino Agreement was *[state ratio]%*.

[If the report is to be submitted more than one month after the relevant calculation date, here insert an explanation for the delay and whether the party giving the report confirms the stated ratio as at the calculation date.]

Scope

[Here state the scope of the report, including any relevant Australian Auditing Standards relied upon, any disclaimers, &c. Also state whether or not the party giving the report is the external auditor of Crown Limited.]

1. We obtained *[audited unaudited accounts &c]* for *[period]* and performed the procedures *[detail procedures or incorporate by reference]*.
2. We assessed the solvency of Crown Limited by *[state what was done]*.
3. *[Here state what was looked for.]*
4. *[Here state to what extent (if any) the accounts have been audited and whether an audit has been performed on the solvency of Crown.]*

Findings

We report that *[for each thing done under paragraph 2 of the Scope, state whether there was improvement or deterioration, &c].*

Opinion

For the purposes of this report, within its scope and pursuant to its findings, we *[confirm or are unable to confirm]* that nothing has come to our attention that causes us to believe that Crown Limited is not or will not be able to meet its debts as and when they fall due in the period of 12 months from the calculation date. We therefore confirm that there *[is/is not]* a reasonable basis for believing that Crown Limited will meet its debts as and when they fall due in that 12 month period.

[Signed]

Chartered Accountants

[Date]

NOTE ON DISCLAIMERS

The only disclaimer which is not acceptable is one which seeks to fetter the Authority in the way it deals with the report (such as one which states that the report is not to be distributed to any other party).

However, the context in which the report is provided is one of a regulator seeking to be satisfied with the financial position of a regulated entity. The more highly qualified or heavily disclaimed the report is, the less assistance it will provide to that end.