



**APPROVAL OF MAJOR CHANGE IN STATE OF AFFAIRS OF THE SYDNEY CASINO
OPERATOR (THE STAR PTY LIMITED (“THE STAR”)) – CROWN LIMITED**

Background and Context

On 24 February 2012, Crown Limited (**Crown**) (on behalf of itself and wholly owned subsidiaries, Pennwin Pty Limited and Crown Entertainment Group Holdings Pty Limited) (the **Crown Applicants**) made an application to the Authority (**Crown Application**) for, in substance:

- A. written approval that the Crown Applicants are suitable persons to be concerned in or associated with the operation or management of The Star;
- B. written consent to acquire voting power in excess of 10% in Echo Entertainment Group Limited (**Echo**) as the ultimate holding company and owner of The Star (subsequently capped by Crown at a 25% level of shareholding and finally proceeding on the basis of a 23% cap (**Ownership Cap**)); and
- C. written consent to be entitled to hold a deemed relevant interest in more than 5% of the shares in Star City Holdings Limited (**Star City Holdings**), a wholly owned subsidiary of Echo and the immediate holding company of The Star.

The Authority has considered the Crown Application on the basis that, if approved, it would result in the Crown Applicants and relevant individuals and entities connected to or associated with the Crown Applicants (including Mr James Packer and Consolidated Press Holdings Limited (**CPH**) as Crown’s major shareholder) (together **Crown and CPH Close Associates**) becoming “close associates” of The Star.

A person is a close associate of The Star if the person holds a relevant financial interest, or is able to exercise a relevant power, in relation to The Star and (as a result of that financial interest or power) the Authority is of the opinion that the relevant person is, or will be, able to exercise a significant influence over or with respect to the management or operation of The Star. Alternatively, a person may be a close associate of The Star by virtue of that person holding a “relevant position” in the business of The Star.

An approval that results in a person becoming a close associate of The Star is a “major change” in relation to The Star. Pursuant to section 35 of the *Casino Control Act 1992 (NSW)* (**Act**) the Authority is not to grant its approval to a person becoming a close associate unless satisfied that the person is a suitable person to be associated with the management of The Star.

Major Change, Close Associate Approval and Voting Power Consents

Today the Authority has approved the Crown and CPH Close Associates becoming close associates of The Star on the basis that they are suitable persons to be associated with the management of The Star for the purposes of the Crown and CPH Close Associates and associated entities and individuals holding voting power in Echo in excess of 10% up to the Ownership Cap (**Legislative Approval**).

Consequent upon the Authority granting the Legislative Approval, the Authority has consented to the Crown and CPH Close Associates and connected and associated individuals and entities having voting power in Echo in excess of 10% and up to the Ownership Cap, and corresponding voting power consents in relation to Star City Holdings (**Voting Power Consents**), all subject to certain time and other limitations and capital adjustments. For further detail, see the Attachment to this media release.

The terms applying to the Legislative Approval and the Voting Power Consents are contained within agreements negotiated and entered into in relation to the Crown Application under section 142 of the Act with the approval of the Minister (**Crown and CPH Section 142 Agreements**). In granting the Legislative Approval and Voting Power Consents and negotiating the Crown and CPH Section 142 Agreements, the Authority has had regard to its regulatory and contractual controls under, inter alia, the Act and existing section 142 agreements between the Authority, Echo and The Star (including the Echo Constitution). These existing controls include the power to require the disposal of:

- any shares held in Echo above the general 10% ownership limit currently set out under the Echo Constitution; and
- all shares held in Echo by any entity or individual who is found (as part of the Authority's ongoing suitability considerations) not to be a suitable person to be associated with The Star, irrespective of any ownership limit.

Each of the disposal controls referred to above have been reinforced by terms under the Crown and CPH Section 142 Agreements, but in the context of the higher Ownership Cap.

Investigations and Considerations

The Authority's investigations and considerations were conducted for the purpose of ensuring that: the ownership, finances, management and operations of The Star remain stable, financially viable and successful; The Star remains free from criminal influence, exploitation and undesirable or unsatisfactory financial sources; and the potential of The Star to cause harm to the public interest is contained and appropriately regulated. Accordingly, the Authority's investigations extended beyond the Crown and CPH Close Associates to relevant entities and individuals considered by the Authority to be business associates of the Crown and CPH Close Associates, including in relation to overseas jurisdictions.

In granting the Legislative Approval the Authority has considered a wide range of material sourced from, inter alia: public submissions made in respect of the Crown Application; the Authority's probity investigations of entities and individuals (including enquiries of overseas and local law enforcement agencies and gaming regulators); legal, financial and appropriate process advice.

Crown and CPH Section 142 Agreements

Under the Crown and CPH Section 142 Agreements, the Legislative Approval and the Voting Power Consents do not constitute approval or consent for matters not part of the Crown Application. Accordingly, further written approval must be sought from the Authority in order for any relevant Crown or CPH Close Associate or connected and associated individuals or entities to become a director of Echo or The Star, hold other key executive positions in Echo or The Star, or be otherwise associated or connected with the day to day operation of Echo or the business of The Star. In addition, written approval of the Authority is required for any such entities or individuals to enter into any contract with Echo or The Star where that contract is significant to the overall operation or management of The Star (for example, joint venture arrangements in relation to casino operations).

The Authority has exercised its statutory obligations in relation to the Application separately from the Minister and has granted the approvals and consents independently of the Minister. As required under the Act, the Authority has obtained the approval of the Minister in relation to the negotiation of, and entry into, the Crown and CPH Section 142 Agreements.

The Authority has satisfied itself that the terms of the Crown and CPH Section 142 Agreements are in accordance with the Act and its objects.

Independent Process Audit

The granting of the Legislative Approval and the Voting Power Consents and the negotiation of, and entry into, the Crown and CPH Section 142 Agreements by the Authority has occurred under the oversight of the Authority's appointed independent process auditor, IAB Services led by senior consultant Jason Masters. Under Mr Masters' guidance and advice appropriate protocols have been in place to ensure that:

- the Authority's statutory obligations are discharged, that the Authority has no conflicts of interest as regards its consideration of the Crown Application and to protect the confidentiality of relevant parties under the Crown Application;
- the Authority has not been privy to or involved in the separate and independent Unsolicited Proposals to the New South Wales Government, namely Crown's proposal in relation to Barangaroo and Echo's proposal seeking to extend the exclusivity aspect of the agreement that limits New South Wales to a single casino licence until 2019 and that, accordingly, confidential information and considerations relating to those Unsolicited Proposals has not formed part of the Authority's considerations in determining the Crown Application;
- the consideration of the Crown Application by the Authority in New South Wales, and a similar ongoing application made by Crown to the Queensland Office of Liquor and Gaming Regulation seeking relevant Ministerial and Governor in Council approvals in respect of Echo's Queensland casinos, have remained independent of each other and have relied on their own statutory and contractual considerations. However, where appropriate, the Authority has liaised with the Queensland Office of Liquor and Gaming Regulation in relation to some joint and overlapping investigations undertaken.

Chris Sidoti

Chairperson

10 May 2013

Attachment

This attachment sets out the Voting Power Consents provided under the relevant Crown and CPH Section 142 Agreements.

The following terms have been extracted from the relevant Crown and CPH Section 142 Agreements. Capitalised terms not defined below have the meaning given to those terms in the media release dated 10 May 2013.

Associate means a person who, in accordance with the Corporations Act, is an associate of the primary person for the purposes of determining the primary person's Voting Power in Echo;

Control has the same meaning given to it in section 50AA of the Corporations Act and **Controlled** is to be interpreted accordingly;

Corporations Act means the *Corporations Act 2001* (Cth);

CPH Group means:

- (a) each person specified as a member of the CPH Group in CPH's Notice of initial substantial holder given to Echo on or about 7 March 2012 other than Consolidated Media Holdings Limited ACN 009 071 167 and its controlled entities set out on page 3 of Annexure A to the Notice of initial substantial holder given to Echo on or about 7 March 2012 by CPH;
- (b) any corporation (now or in the future) which is a Related Body Corporate of the corporations referred to in sub-paragraphs (a) of this definition or which is Controlled by any one or more of James Douglas Packer, Consolidated Press Holdings Limited ACN 008 394 508, Cairnton Holdings Limited ACN 008 394 134, Consolidated Press International Holdings Limited or Consolidated Custodians International Limited,
- (c) Ms Gretel Lees Packer;
- (d) Mrs Erica Packer; and
- (e) any corporation that is Controlled by the person referred to in paragraph (c) of this definition which is not otherwise a member of the CPH Group,

but excludes the Crown Parties;

CPH Group Connected Persons means:

- (a) Ms Gretel Lees Packer;
- (b) Mrs Erica Packer; and
- (c) any corporation that is Controlled by them but excluding for the avoidance of doubt any corporation that is a Crown Party or a member of the CPH Group under sub-paragraphs (a) and (b) inclusive of the definition of CPH Group.

CPH Group Members means any person which is a member of the CPH Group;

Crown Parties means:

- (a) the Crown Applicants;
- (b) each Subsidiary of Crown specified in Crown's Notice of initial substantial holder given to Echo on or about 5 March 2012 updated for changes up to the date of this Deed; and
- (c) any company (now or in the future) which is a Subsidiary of the companies listed in paragraphs (a) and (b) of this definition or which is Controlled by any one or more of those entities;

Related Body Corporate has the meaning given to it in the Corporations Act;

Subsidiary has the meaning given to that term in the Corporations Act;

Voting Power means Voting Power as it is defined in Echo's constitution.

The drafting of the Voting Power Consents proceeded on the basis that:

- any consents to hold a higher level of Voting Power in Echo should be capped at a 23% (rather than 25%) level, subject to terms set out in the Crown and CPH Section 142 Agreements negotiated in respect of the Crown Application (**Ownership Cap**);
- the Ownership Cap will be raised if any relevant party's Voting Power increases above 23% as a result of Echo conducting any subdivision, consolidation, share buy-back, redemption of shares, capital return or reduction of capital and further issues of shares whether by way of a rights issue, bonus issue, or any other event where the Authority's approval has been obtained in relation to that event (**Capital Event**);
- 36 months after the date of the Crown and CPH Section 142 Agreements (**Sunset Date**), the Ownership Cap will be set at a number which is equal to:
 - the aggregate of the Voting Power in Echo held by each of Crown, CPH and their relevant Associates as at the Sunset Date; or
 - if the Ownership Cap increases as a result of a Capital Event, that increased amount; and
- due to ownership and control relationships as between Crown, CPH and related bodies corporate, the class of persons being provided consents and approvals will extend beyond Crown, Crown Entertainment Group Holdings Pty Limited and Pennwin Pty Limited to include individuals and entities associated with both Crown and CPH and certain family members of such individuals.

In giving the Voting Power Consents under the Crown and CPH Section 142 Agreements, the Authority consents to:

- the Voting Power in Echo of each of the Crown Parties exceeding 10%;
- the Voting Power in Echo of each of the CPH Group Members exceeding 10% provided that either:
 - one or more of the CPH Group Members remains an Associate of Crown; or

- one or more CPH Group Members are deemed, by virtue of section 608(3) of the Corporations Act, to have the same relevant interest in Echo shares as held by Crown from time to time.
- each of the Crown Parties becoming entitled to more than 5% of the shares in the capital of Star City Holdings, provided that:
 - the entitlement of the Crown Parties does not exceed the percentage ownership that Echo holds in Star City Holdings; and
 - none of the Crown Parties or CPH Group Members directly or indirectly hold shares in Star City Holdings.
- each of the CPH Group Members becoming entitled to more than 5% of the shares in the capital of Star City Holdings, provided that:
 - the entitlement of the CPH Group Members does not exceed the percentage ownership that Echo holds in Star City Holdings;
 - none of the Crown Parties or CPH Group Members directly or indirectly hold shares in Star City Holdings; and
 - one or more CPH Group Members remains an Associate of Crown or one or more CPH Group Members are deemed, by virtue of section 608(3) of the Corporations Act, to have the same relevant interest in Echo shares as held by Crown from time to time.

Further prior written consent of the Authority is required for the Voting Power in Echo held by any one or more of the Crown Parties or the CPH Group Members to be in excess of the Ownership Cap.

The Crown and CPH Section 142 Agreements state that the Voting Power Consents do not entitle any of the Crown Parties or any CPH Group Member to:

- own directly or indirectly a greater percentage of shares in Star City Holdings than the percentage of shares owned by Echo in Star City Holdings from time to time; or
- directly or indirectly hold shares in Star City Holdings.

Under the Crown and CPH Section 142 Agreements, the Voting Power Consents are subject to a term that the Voting Power in Echo held by one or more of the Crown Parties or CPH Group Members, determined in accordance with the rules set out below, does not exceed the Ownership Cap.

To determine whether the Voting Power in Echo of a Crown Party has exceeded the Ownership Cap, under the Crown and CPH Section 142 Agreements the following rules apply:

- where one or more CPH Group Members remain an Associate of Crown or one or more CPH Group Members are deemed, by virtue of section 608(3) of the Corporations Act, to have the same relevant interest in Echo shares as held by Crown from time to time, the Voting Power in Echo held by any one or more of the Crown Parties will be aggregated with the Voting Power held by the CPH Group Members and CPH Group Connected Persons;

7.

- where one or more CPH Group Members hold a relevant interest in greater than 10% of Crown Shares but less than 20% of Crown Shares, the Voting Power in Echo held by any one or more of the Crown Parties will be aggregated with the Voting Power held by CPH Group Members and the CPH Group Connected Persons;
- for the purposes of calculating the Voting Power in Echo of the CPH Group Members, the votes attached to voting shares in Echo that are included in the calculation of the Voting Power in Echo of the Crown Parties or CPH Group Connected Persons will be disregarded; and
- for the purposes of calculating the Voting Power in Echo of the CPH Group Connected Persons, the votes attached to voting shares in Echo that are included in the calculation of the Voting Power in Echo of the Crown Parties or the CPH Group Members will be disregarded.