

BCLC Briefing

July 31, 2017

Agenda

- BCLC's Role, Vision and Strategy
- Growing Net Income Responsibly: Priority Areas for Investment
- Financial Outlook
- Crown Review Update
- New Operating Services Agreement for Casino Service Providers
- 30-60-90 Day Outlook

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BCLC's Role, Vision and Strategy

BCLC's Role

Be responsible stewards of the gambling industry
Achieve sustainable growth through balanced investments that serve a broad player base
Always consider the impact of our business decisions on the people and communities of BC

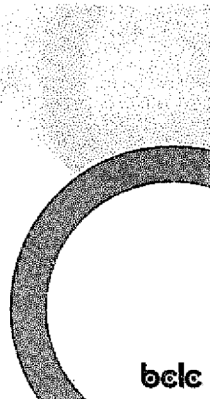
- Be responsible stewards of the gambling industry
- Achieve sustainable growth through balanced investments that serve a broad player base
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BCLC Values

- **Integrity** – The games we offer and the ways we conduct business are fair, honest, transparent and trustworthy
- **Social Responsibility** – Everything we do is done with consideration of its impact on and for people and communities of British Columbia
- **Respect** – We value and respect our players, service providers and others

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Our Vision

Gambling is widely embraced as exceptional entertainment for adults

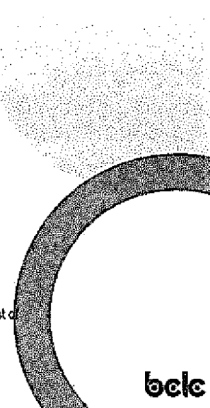


Operating Environment

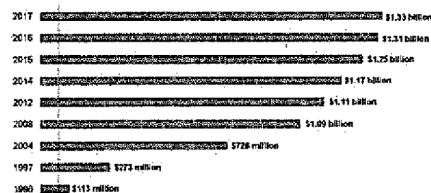
Although a monopoly, BCLC operates in a dynamic, competitive environment.

- Three lines of business: Casino, Lottery and eGaming
- Three different business models
- Competition from 53 casinos in Washington State, Las Vegas is a 2.5 hour flight from Vancouver,
- Approximately 2,000 grey market websites reaching into B.C.
- Lottery purchases are impulse in nature
- Broader competition in the entertainment category: casinos rank fourth on the list of top entertainment choices, behind eating out, movies and bars/pub/night club/lounge
- Competition from other jurisdictions for service provider capital investment

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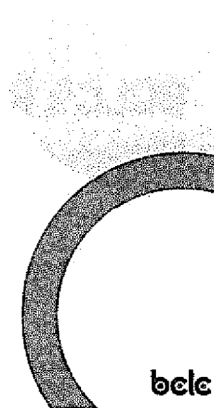


BCLC Net Income



Growth Driver: Distribution

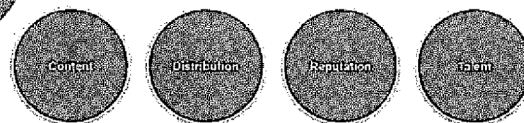
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Future growth will be fueled by innovation and investment in outstanding entertainment experiences

BCLC Strategy



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Goals and Objectives

1. **Player** – We are creating an integrated player-focused entertainment company
2. **People** – We are building an engaged workforce and a strong culture based on trust and collaboration
3. **Public** – Our business and the benefits it creates are understood, trusted and supported by British Columbians
4. **Profit** – We will optimize net income through investing to sustain the long-term health of our business

Priority Areas for Investment

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Reputation

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Anti-Money Laundering Program

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Canada's AML Regime: Roles & Responsibilities

BCLC	FINTRAC	Police
<ul style="list-style-type: none"> Observe, detect, record and report Assess and document ML risks related to products and services Implement controls to help prevent ML 	<ul style="list-style-type: none"> Receive and analyze reports from reporting entities Identify circumstances involving ML Report out to police Monitor reporting entities for compliance 	<ul style="list-style-type: none"> Protect gaming through investigation of ML and TF offences Recommend charges to Crown

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AML Program Audits

- FINTRAC audits BCLC's Compliance Program every two years.
- BCLC also engages a national accounting firm every two years to conduct an independent audit.
 - Currently underway with Ernst and Young.
- GPEB audits BCLC's program periodically and monitors its reporting to FINTRAC on an on-going basis.
- FINTRAC's July 2016 audit found no deficiencies in AML procedures or reporting.
 - One deficiency was found in relation to training, which has been addressed.
- During the audit exit interview FINTRAC advised that BCLC's Compliance Program was a leader in the sector.

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Joint Illegal Gaming Investigative Team (JIGIT)

- BCLC reported illegal gambling houses to RCMP in 2014
- This led to the formation of JIGIT, which BCLC provides \$3 million annually to fund
- BCLC continues to advocate for law enforcement to shut down illegal gaming houses and for access to the names of individuals known to police to proactively ban

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Communicating How Gambling Revenues Are Used

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Play It Forward Initiative



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Play It Forward

Can the Play It Forward Initiative help to reduce the harm caused by gambling?

Results:

- Almost 50% of British Columbians recalled a PIF ad;
- Significant, positive improvements in statements of public support for gambling: up from 43% to 65% (2015 vs 2016)
- Significant, positive impact on perceptions of BCLC: from 68% to 75% (2015 vs 2016)

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Content

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Furthering our Investment in Player Health to Uphold our Public Health Commitment

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Investing in Player Health

- Public Health Officer Released "Lower the Stakes" (2013)
- The Plan for Public Health and Gambling (2015) made a commitment to expand the GSA program to all gaming facilities
- GPEB and BCLC commissioned a joint review of the GameSense Advisor (GSA) Program which recommended that the program be fully managed by BCLC and expanded to all facilities
- Enables operational efficiencies, stronger oversight, enhanced customer service, and greater alignment with player health strategy

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Investing In Player Health

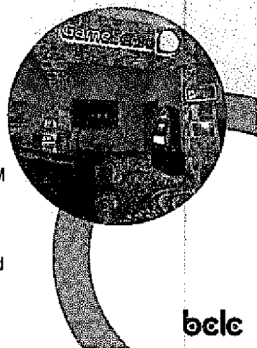
- In addition to the existing day-to-day responsibility for oversight of GSAs, BCLC will assume full contract responsibility April 1, 2018.
- Expansion to all gaming facilities will be completed in 2020 almost doubling BCLC's investment in Player Health with an additional \$3 million each year (Current budget \$3.4 million).

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Innovative Partnerships to Further Player Health in British Columbia

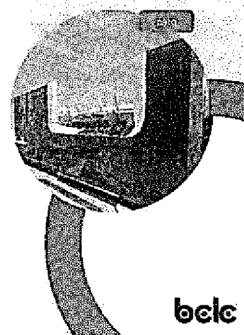
- MGM Resorts International has licensed the GameSense brand for all of its U.S. casinos, joining Manitoba, Saskatchewan, Alberta, and the States of Massachusetts and Connecticut.
- The agreement includes a \$2.3 million investment by MGM to advance research with UNLV, Harvard, and UBC on the effectiveness of the GameSense Program
- The GameSense program has been internationally recognized and validated by third parties as innovative and effective in promoting informed choice.



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New Content

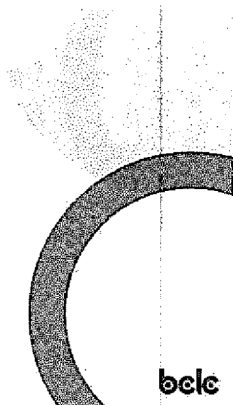
- Parq Vancouver, will include two Marriott Hotels and will be an entertainment hub with its gaming floor, 8 restaurants, lounges, and convention and event space.
- Parq has met or exceeded all City of Vancouver covenants.
- 20% of construction jobs were performed by workers from the Downtown Eastside and surrounding areas.



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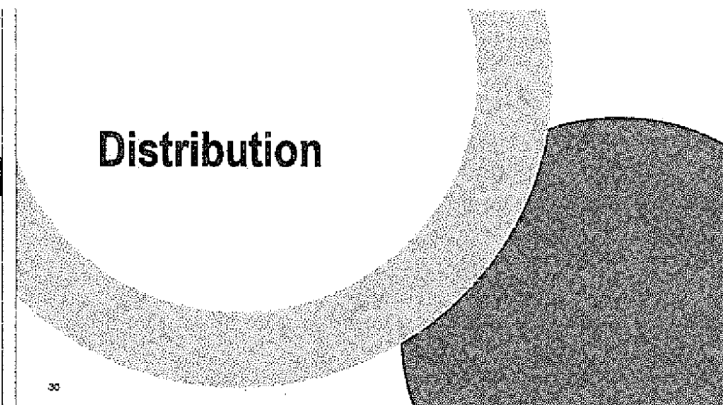
Content Innovation

- Content Innovation is one of BCLC's top corporate priorities because it supports sustainable growth and broadening the player base.
- Beat the Receipt is a lottery game concept that is currently being developed.



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Distribution



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Lottery Transformation

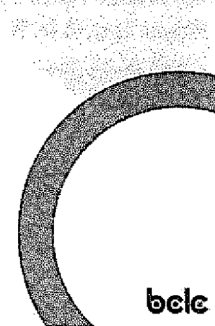
- Protecting \$1 billion in revenue by updating legacy systems through new terminals and Lotto Express 2.
- Ensuring lottery plays relevant to players and keeps pace with consumer purchase trends through better distribution and digitization.
- 2015 Crown Review supported BCLC's recommendation to replace legacy systems.



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Community and Public Engagement for New Gambling Facilities

Victoria, Delta, North Vancouver



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Expression of Interest Process

- BCLC formalized its process for locating and relocating gambling facilities to be more clear, transparent and efficient.
- The Expression of Interest (EOI) process identifies local governments interested in hosting a gambling facility.
- BCLC respects the authority of local governments to choose whether they want a gambling facility in their community.

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Updates on EOIs

Victoria	Delta	North Shore of Greater Vancouver
Through an RFP BCLC has pre-qualified four companies who will receive an RFP to submit a casino proposal to develop and operate a potential new facility in Victoria, (September)	This will be the relocation of the Surrey (Newstar) CCG where Gateway is the service provider. In August BCLC will announce it has approved the Town and Country site as the location. Gateway will then develop a proposal for approval by council, including the public consultation process.	BCLC is considering relocating the Squamish CCG. EOI selection process still underway.

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Talent

Talent

As a commercial company in a unique industry, BCLC requires key talent in areas such as technology, finance, marketing, and responsible gambling.

Head Count

Fiscal Year	2016/17
Vancouver	880
Kamloops	420
Field	170
Total	920

Engagement

2015	83%
2017	87%

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Sustaining our Operations and Headquarters in Kamloops

Kamloops Head Office

BCLC owns its current 53 year old head office in Kamloops:

- Assessments show mechanical, electrical and structural components are aging and ultimately need to be replaced; requiring significant investment.

Based on the current state of the building, BCLC is assessing two options:

1. Remediate and recondition the existing building.
2. Determine an appropriate plan to develop a new building.

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Kamloops Head Office

- April 2017 BCLC prequalified four companies to respond to a RFP for the design, construction and commission of a potential new building.
 - BCLC expects to issue the RFP to these companies in Summer 2017.
- The RFP will enable BCLC to develop a concept plan and detailed business case analysis of options and financial implications to submit to Treasury Board.

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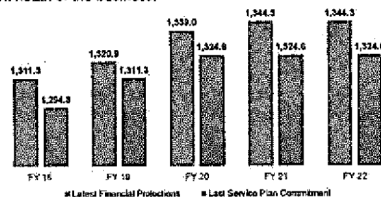
Financial Outlook

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BCLC Financial Update

Exceeding net income commitment by \$80.4M over the next 5 years while making appropriate investments to ensure the long term health of the business.



CCR will increase to +1.1% over last Service Plan/ISS

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Crown Review Update

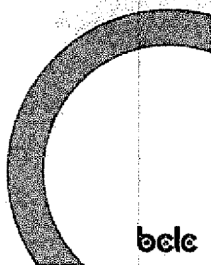
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Crown Review Update

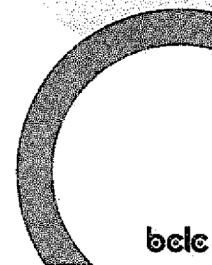
- December 2014 Crown Review made 25 recommendations to BCLC and two to GPEB/Ministry of Finance.
- BCLC established Executive Governance Committee and Board Oversight for each recommendation. BCLC's Audit Department validated implementation process.
- As of March 31, 2017 all 25 recommendations were complete at a cost of more than \$1.7 million including internal labour. All are now closed with audits complete.

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Agreements with Casino Service Providers & New Accountability Mechanisms

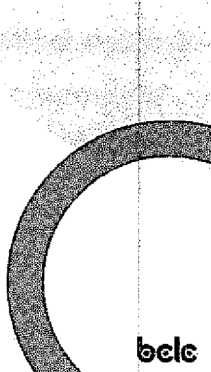
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Current Landscape

- Existing contracts were established in 1997. The gaming marketplace has matured and requires investment by BCLC and Service Providers to sustain revenues.
- Redeveloped facilities show increased gross gaming revenue and provide new entertainment options to a broader range of customers (Langley, Kamloops, Surrey, Penticton)
- Capital expansion opportunities for Service Providers (SP) exist in Ontario; facility investments in BC have slowed
- Service Provider costs have increased over time, particularly for compliance and labour

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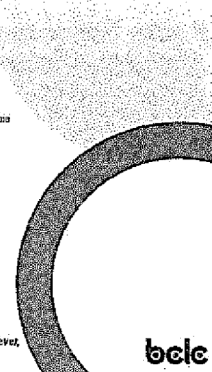


Timeline

March 2015: BCLC hired HLT Advisory to conduct a review
 May 2015: BCLC and the Ministry of Finance signed a joint project charter
 June 2015: Ministry of Finance engaged Partnerships BC and Ernst & Young
 July 2015: SPs contacted Grant Thornton to develop independent Gaming Industry Review in British Columbia
 Sept 2015: BCLC submitted the HLT Advisory report to the Ministry of Finance
 Apr 2016: Commission review completed and BCLC's position submitted to MoF
 May 2016: BCLC meets with all SP to understand their wants/needs
 Oct 2016: Present to Ministry of Finance
 Dec 2016: Minister Meeting with SP re: Commission Review and New OSA Progress
 Feb 2017: BCLC meets with BCCGA
 Mar 2017: BCLC meets with all SP individually
 Apr 2017: BCLC begins writing new OSA & updated policies
 May 2017: Board Approved High Level Terms and Delegated Final Approval Authority
 June 2017: BCLC informed by GPEB that the GM will not provide direction on commissions

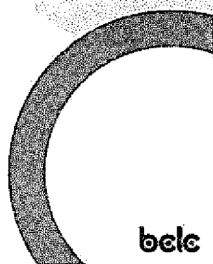
Common theme among all reports is that SP commissions are fair and consistent; however, refinements should be made to incentivize SP behaviour.

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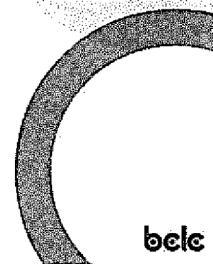
New Agreement Highlights

- Facility Investment Commission with Minimum Investment Requirement.
- New amenities and services that enrich the player experience and sustain and grow revenues.
- New 20-year agreements providing certainty to SPs and investors.
- Increased (competitive) operating commissions for tables and bingo.
- Enhanced accountability mechanisms for BCLC.
- Better aligns BCLC and Service Providers.



Accountability Mechanisms

- Minimum Investment Requirement
- Strategic Plan, Five Year Plan, and Annual Plan
- Additional accountability mechanisms and processes for non-compliance or failure to meet contractual obligations with three levels of performance management
- Alternative Dispute Resolution, Step In, Suspension, and Termination Articles

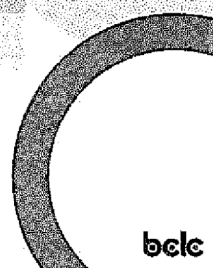


Facility Commissions

Type	Proposed	Current
Facility Development	5%	3%
Accelerated Facility Development		2%

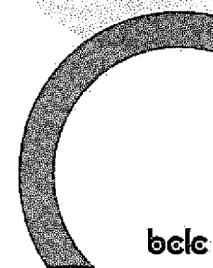
Operating Commissions

Type	Proposed	Current
Slot commissions	25%	25%
Table games	42.5%	40%
Poker	77.5%	75%
Bingo	80% on first \$10k 45% above \$10k on weekly revenue after prizes	60% on first \$20k 40% on first \$80k 25% on first \$80k on weekly revenue after prizes



Rationale for New Approach

- Table games are a growth opportunity
- Bingo sustainability
- Long term commitment to facility development
- Increase clout and accountability



Next Steps

- Complete policies and contracts
- Offer new OSA to Service Providers

Looking ahead

Working together
30-60-90

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30-60-90

- August 8 – BCLC Treasury Board Submission
- RFP for Victoria Casino Proposal finalized and submitted to pre-qualified proponents
- BCLC to announce proposed location for a casino in Delta
- Posting of Vendor Request for Quote for Environmental Remediation Work on BCLC's land adjacent to its Kamloops head office
- Kamloops Head Office Facility – Notification of RFPQ shortlisted proponents and distribution of an RFP to proponents for design/build proposals
- Announcement of successful vendor in RFP for lottery terminal replacement
- B2B subsidiary – request for clarification

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30-60-90

- New Operational Services Agreement to be finalized and provided to service providers
- September 29 – parq Vancouver casino grand opening event

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30-60-90

- October 3 - MGM Resorts International to announce launch of GameSense at its Las Vegas properties
- Launch of Facial Recognition Pilot for detection of self-excluded individuals at one lower mainland casino

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Thank you