31 July 2017 730AM
- John
- Rob Kroeker
- Jim
- Amanda

BC Lottery Corp.

- Amanda Hobson · CFO VP Finance
- Jim Lightbody
- Susan Dolinski · VP HR - Comm"
  Int'l + Ext'l

Stephen Sharma
Min Eby

Rob Kroeker · VP Legal/Compliance/Security/Privacy

- Goals/Objectives - key initiatives.

- Money laundering
- integration
- upcoming report/decision

Public Interest Immunity

Operating Service Agreement

1. VISION.

78% of adults - lottery w/i 12 mo
37% adults - Casino w/i 12 MO.

Casino / Lottery / eGaming (since 2004)

(Casino (Marriott)) BCLC maintains ownership of gaming equipment/shufflers, tables/machinery, etc.
66% of revenue to BCLC / 35% to service provider
Casino Business ~~BC~~ BC - just under \$1 Bn
(more than Nevada => only 10-15% in the Nevada model)

(Coca-Cola) LOTTERY - sell through re-sellers retailers (5% margin)
provide lottery terminals - <focus on new products, etc.>
value to retailers: customer draw / trustworthiness.

(Amazon) eGaming - many suppliers/partners · provide games + aggregate on BCLC site : very profitable. - manage service for other provinces (eg Manitoba). Operator, not a supplier

(BCLC cont'd) 31 July 2017

1996 - BC separated
1997 - moved away from Charity casinos (moved to Commercial) "consolidations"
2004 - "Community Gaming Centre concept": better facilities / consolidate Bingo
did not introduce VLT's into pubs etc. / kept control of model
- conscious choice to gamble / provide responsible gambling program
- 18 Bingo Halls converted to Community Gaming Centres
"mainly smaller communities
- launched PLAYNOW.COM - sports betting / lottery + full casino games
Every game - run through an "responsible gaming" analysis.

Priority Areas for Investment

· Anti-Money Laundering Program. (Rob Kroeker)
RCMP / ICBC / crystal Meth / 110 / private sector then BCLC.
FINTRAC. report all transactions in n out > $10000
Compliance Program (risk based)
Risk Assessment - program vulnerability to money laundering + design mitigation
- check client source of wealth
Also "suspicious transaction" report - to FINTRAC.
· Monitor casinos ± every other year.
· Information sharing Ø w/ RCMP. Organized Crime list - proactively ban if on list.
- licence plate reader system on larger props.
SAS - analytical money laundering software (used by banks)
- monitor players in a 'deemed' business relationship
± 14000 people - category - Daily - track adverse media, court process.
identify of people change gambling practices.

$690,000 penalty - FINTRAC AUDITS every 2 yrs appealed to Fed Ct
reduced to $61900 - settled w/ admission to technical deficiencies
BCLC - private audit every 2 years - "off cycle".

Hilroy

suspicious transactions report provided
to GPEB on an ongoing basis.

Issue w/ River Rock staff - re-edit training program
re Money Laundering

· FINTRAC · audit exit interview.

· Joint Illegal Gaming Investigation Team (JIGIT) w/ CFSEU
2014 illegal gaming houses reported to RCMP.

BCLC is not in governance model
· GPEB / RCMP ... mostly
± 170 interviews, where concern about cash
coming in - will limit person to bank instruments
instead of cash - results in ↑ in ~~[illegible]~~ illegal gaming houses.

Recent 9 months · have reported names so
can ban people from casinos, etc.

Use of Gambling Revenues
"Play it Forward" Initiative (Host Local Gov't Fund · 10% / $80 Mill)
- Community Gaming Grants - (oversubscribed) ± $240M of $1.3 Bn
health care / education / charities.
When $ goes to communities - no control / restrictions on how community uses $.

Content · Player Health / Responsible Gambling
- Focus on outcomes (Susan)
Precommitment Tests / "Play Planner" / Dr. Richard Wood Carleton
Informed Decision Making · Game Sense - How games work · Positive ~~Gambling~~ PLAY Scale
measures presence of positive play
Reduced Problem Gambling Prevalence
Effective Referral to Treatment + Support.

BCLC

Financial Outlook - to TB August 8/2017

Exceed Net Income component by $80.4 M over 5 yrs over service plan

CCR to ↑ to 1.1%

Slot revenue larger than expected.

Commitment

E Gaming ↑ 18% year over year

Service Plan update - instructions out soon w/ short turnaround req't.

Crown Review Update (2014 - 25 recommendations) - all now completed

Operating Services Agreements

Ontario - originally owned facilities but are now starting to sell some off.

service provider treats as capital recovery to avoid recognizing revenue immediately.

Tax + Accounting

TAX - Capital Reimbursement vs. Income

Some Service Providers // BCLC

cf Alberta - tables 50%

BC 42.5% - moving.

Ontario - 70%

$50-60M exposure (& growing)

Accounting - some service providers view BCLC over them of CRA interp'n "rather than 'carn out'".

±$30M exposure (i.e. owe refund) $ invested by service providers

new Ø would eliminate exposure.

KPMG advice

Great Cdn. has CRA advance ruling

BCLC

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30/60/90

Privileged

Lotto Tech – subsidiary Corp'n – that buys + leases back Capital Assets – avoids double GST.

Policy Structure – add'l revenue.

[redacted]