

BCLC Gambling Service Provider Commissions Report

2010–2012

Table of Contents

British Columbia’s Gambling Operations Model	1
Casino Service Provider Commissions	3
HOW BCLC DETERMINES FDC QUALIFYING EXPENDITURES	3
ACCELERATED FACILITY DEVELOPMENT COMMISSION (AFDC)	4
Casino Service Provider Capital Investments and Development Commissions Earned	5
Commissions Earned by Casino Service Providers Annually	8
Community Gaming Service Provider Commissions	10
Community Gaming Service Provider Capital Investments and Development Commissions Earned	11
Commissions Earned by Community Gaming Service Providers Annually	13
Appendix 1: Facility Development Commission Guidelines for BCLC Casino Service Providers	15
CONSOLIDATION	18
Appendix 2: Facility Development Commission Guidelines for BCLC Bingo and Community Gaming Service Providers	19
Appendix 3: BCLC Casino and Community Gaming Facilities and Service Providers	25

British Columbia's Gambling Operations Model

Under the Gaming Control Act (B.C.), BCLC is mandated to conduct, manage and operate commercial gaming on behalf of the Government of British Columbia. BCLC enters into contracts with private sector service providers to build and operate gambling facilities including casinos, community gaming centres and bingo halls.

Under this model, BCLC owns most of the gambling equipment such as slot machines, playing cards and associated equipment. Service providers build, provide and operate the gambling facilities on BCLC's behalf in addition to offering other entertainment amenities. The service provider finances the facility construction and pays the capital costs of development including any enhancements or upgrades. The service provider is also responsible for the ongoing costs of maintaining the facility to BCLC standards.

In return for operating the facility, service providers earn a commission that is divided into two parts: an operating commission and a Facility Development Commission (FDC). FDC is what the service provider earns as a percentage of net win based on their investment in creating and maintaining high quality facilities.

Each jurisdiction in Canada has its own unique operating model, including those where the crown corporation owns and operates the facilities and assumes the capital cost and responsibility for developing, maintaining and operating the facilities. BCLC's model has been highly effective. It eliminates many of the risks to BCLC associated with owning and operating facilities while still providing a safe gambling environment, high quality facilities and a significant return to government.

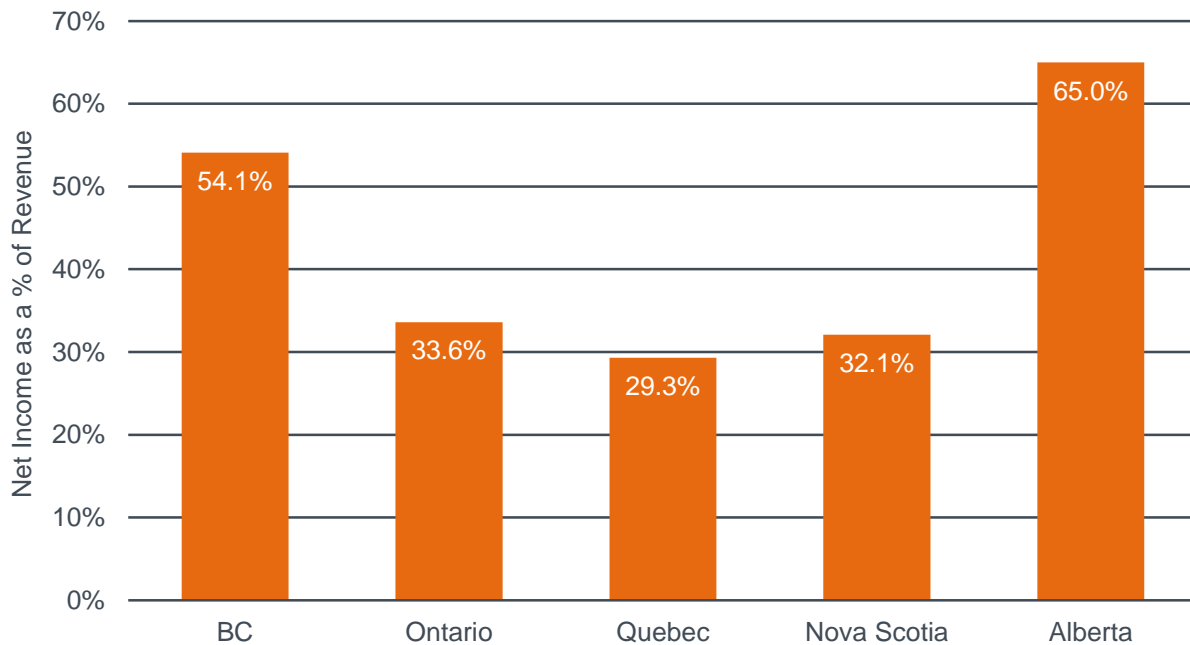
For example, in 2003/04 casino gambling provided net income to government of \$418.3 million on total revenues of \$733.5 million. BCLC's vision then began to evolve to higher quality facilities with better amenities. Service providers made significant investments in non-gaming, complimentary entertainment amenities. The investments contributed to significant revenues. By 2011/12 casino and community gaming provided \$828.4 million in net income to government on total revenues of \$1,640.0 million.

BCLC's model has resulted in some of the best in class casinos and community gaming facilities in Canada.

The following chart outlines the percentage of net revenue from full service casino gaming that is returned to the province of jurisdiction. For the purposes of this chart, a full service casino operates commercially and includes live table games and slot games.

Canadian Full Service Casino Comparatives

March 31, 2011



Footnote:

- 1) For Alberta the 65% represents the approximate allocation to government based on available annual report information and assumptions with respect to expense allocations.
- 2) Net Win and Net income numbers used in the creation of the above graph may include a portion of non-gaming revenues/costs or promotional allowances that cannot be determined based on available financial information.

Information for this chart was obtained from publically available audited financial statements issued by each gaming jurisdiction.

For Alberta the 65 per cent represents the approximate allocation to government based on available annual report information and assumptions with respect to expense allocations.

BCLC's model is one of the most profitable full service casino models in Canada.¹

¹ Unlike any of the other provinces represented on this chart, Alberta's casino model is limited to commercial slots with table games operating under a charitable gaming model.

Casino Service Provider Commissions

B.C.'s casino operations model was developed in 1997 when the provincial government announced a new gaming policy and issued a Request for Proposal—Destination and Charitable Gaming Facilities in the Province of British Columbia (RFP). The compensation structure was for a total commission of 28 per cent of net win from slots and 43 per cent net win from table games (net win = revenue after prizes paid/won by the player). The 28 per cent commission is divided into two parts—25 per cent operating commission, three per cent Facility Development Commission (FDC). The 43 per cent commission from table games is also divided into 40² per cent operating commission and three per cent FDC.

This compensation structure is captured in the Casino Operational Services Agreement (COSA), which are typically 10 year contracts with a renewal option for an additional 10 years. The COSA defines service, operating and marketing responsibilities for the casino company and forms the basis for the 25 and 40 per cent per cent operating commission. It also defines the requirements for earning the three per cent FDC.

The three per cent FDC can be earned by the service provider if they incur costs related to casino and ancillary amenities development based on BCLC guidelines, subject to BCLC review and approval. Since taking responsibility for casino gambling in 1998, BCLC's vision for gambling facilities in B.C. has been to build fewer, bigger, better facilities with comprehensive entertainment amenities such as restaurants and lounge areas.

In 2006, BCLC added the Accelerated Facility Development Commission (AFDC) of two per cent of net win. Service providers may submit a project to qualify for AFDC and the incremental commission will be applied to incent the timely development of the project.

HOW BCLC DETERMINES FDC QUALIFYING EXPENDITURES

Before a redevelopment project begins, the service provider determines the scope of the project in discussion with BCLC. In order to qualify to earn FDC the service provider must incur FDC qualifying expenditures—costs associated with developing or redeveloping the facility, including BCLC approved entertainment amenities that will enhance the gaming experience.

Then the service provider submits to BCLC a detailed list of expenditures. BCLC reviews the submission and determines which, and the extent to which the expenditures qualify for FDC, based on a set of guidelines (Appendix 1)³. BCLC also considers the merits of each specific project and the unique marketplace in which each facility operates.

In the event a service provider doesn't have any qualifying expenditures, they are required to hold the three per cent of net win in a FDC designated bank account and cannot access these funds until they have approved qualifying expenditures and BCLC authorizes the release of these funds.

All service provider commissions are earned based on the net win generated by their facility, so the better the performance, the more the service provider will earn in commissions. It's important to note that, depending upon the size of the capital investment and the net win generated, it may take a service provider 10 to 15 years to earn the equivalent to the qualifying costs they incurred.

2 Commission on Poker is 75 per cent and commission on Craps is 75 percent on the first \$270,000 in revenue earned (per quarter) and 40 per cent on amounts above that (per quarter). These commissions reflect the higher staffing and operating costs required for these games.

3 Effective April 1, 2012, BCLC introduced new FDC/AFDC standards, policies and procedures that apply to all three of its gambling operations: casino, bingo and community gaming centres. Previously, administration of the commissions was guided by separate guideline documents for each of the three lines of business. This report reflects those guidelines, which were effective up until April 1, 2012.

ACCELERATED FACILITY DEVELOPMENT COMMISSION (AFDC)

Guidelines for AFDC qualifying expenditures are the same as those for FDC. However, service providers must designate a project they would like to qualify for the two per cent AFDC. For AFDC, the project must be substantially completed and in operation before the service provider is entitled to earn the AFDC.

Casino Service Provider Capital Investments and Development Commissions Earned

This chart details investments that have qualified for FDC/AFDC since 1997. In cases where a casino has relocated or where several casinos have merged into one larger redeveloped casino, total includes qualified amounts from all of those facilities.

(in thousands of dollars)

Casino	Projects Qualified for FDC or AFDC	Total Capital Investment (qualifying for FDC or AFDC)	Total FDC/AFDC Earned as at March 31, 2012	Balance of qualified expenditures remaining as at March 31, 2012
Billy Barker Casino	<ul style="list-style-type: none"> Initial development of Billy Barker Casino Redevelopment of Billy Barker Casino incorporating a show lounge 	4,505	4,071	434
Boulevard Casino	<ul style="list-style-type: none"> Initial development of casino Casino redevelopment and parkade Show theatre 	142,258	62,517	79,741
Cascades Casino/Royal Towers	<ul style="list-style-type: none"> Initial Royal Towers Casino development Initial Cascades Casino development Cascades Casino parkade development and casino enhancement 	54,377	39,920	14,457
Casino of the Rockies	<ul style="list-style-type: none"> Initial Development of the Casino of the Rockies Minor maintenance and renovations 	5,517	3,986	1,531
Edgewater Casino/Grand Casino/Royal Diamond Casino	<ul style="list-style-type: none"> Initial development of the Grand Casino Initial Development of the Royal Diamond Casino Initial development of Edgewater Casino Additional Edgewater Casino enhancements Edgewater Casino poker room 	43,515	27,174	16,341
Fraser Downs Racetrack and Casino	<ul style="list-style-type: none"> Initial build out 2nd floor gaming relocation and addition of table games 	47,016	20,457	26,559
Grand Villa Casino/Burnaby Casino	<ul style="list-style-type: none"> Initial Burnaby Casino development Development of Grand Villa Casino, convention space, restaurants hotel upgrade, show lounge and parkade redevelopment 	81,462	69,169	12,293
Hastings Racecourse Casino	<ul style="list-style-type: none"> Temporary and permanent slots facility build out 	45,396	4,357	41,039

Casino	Projects Qualified for FDC or AFDC	Total Capital Investment (qualifying for FDC or AFDC)	Total FDC/AFDC Earned as at March 31, 2012	Balance of qualified expenditures remaining as at March 31, 2012
Kamloops	<ul style="list-style-type: none"> Initial development of the Kamloops Casino Subsequent redevelopment and enhancement of Kamloops Casino 	6,116	12,906	(6,790)
Kelowna	<ul style="list-style-type: none"> Initial development of the Kelowna Casino Reconfiguration and enhancement of the Kelowna Casino Minor maintenance and renovations 	9,937	16,719	(6,782)
Nanaimo	<ul style="list-style-type: none"> Initial Build out Property refresh 	12,442	19,901	(7,459)
Penticton	<ul style="list-style-type: none"> Initial development of Penticton Casino Development of direct access from the parkade and completion of the poker room Minor maintenance and renovations 	9,500	10,007	(507)
River Rock Casino Resort	<ul style="list-style-type: none"> Initial development of the casino, show theatre, parkade and hotel upgrades Development of convention space, second parkade, poker room, VIP gaming room, gaming floor reconfiguration 	331,346	86,601	244,745
Starlight Casino/ Royal City Star Casino	<ul style="list-style-type: none"> Initial development of Royal City Star Casino Subsequent Starlight gaming floor reconfiguration Initial development of Starlight Casino and parkade 	99,887	34,524	65,363
Treasure Cove Casino/Casino Hollywood	<ul style="list-style-type: none"> Initial development of Casino Hollywood Initial development of Treasure Cove Casino and Show Lounge Reconfiguration and enhancement of Treasure Cove Casino Incorporation of bingo into Treasure Cove Casino 	23,409	18,194	5,215
Vernon	<ul style="list-style-type: none"> Initial development Minor maintenance and renovations Redevelopment of relocated Vernon Casino 	14,576	12,874	1,702

Casino	Projects Qualified for FDC or AFDC	Total Capital Investment (qualifying for FDC or AFDC)	Total FDC/AFDC Earned as at March 31, 2012	Balance of qualified expenditures remaining as at March 31, 2012
View Royal/Mayfair	<ul style="list-style-type: none"> • Minor renovations to Mayfair • Initial build-out of View Royal • Parkade construction and land purchase 	45,079	28,617	16,462
Closed sites and transfers ⁴		16,086	12,694	3,392
Total		992,424	484,688	507,736

⁴ Total includes closed sites and transfers from the closed site to other sites in owned by the same service provider.

Commissions Earned by Casino Service Providers Annually

See Appendix 3 for further details on locations, service providers and former names of existing casinos.

2010–2011
(in thousands of dollars)

Casino Name	Slot Revenue	Total Table Rev	Total Revenue	Operator Commission	FDC Earned	AFDC Earned	Total Commission ⁵
Billy Barker	8,938	309	9,247	2,386	277	-	2,663
Boulevard	110,660	41,366	152,026	46,285	4,558	3,039	53,882
Cascades	95,031	17,997	113,028	32,026	3,391	2,260	37,677
Casino of the Rockies	13,759	938	14,697	4,039	441	-	4,480
Edgewater	61,506	50,449	111,955	37,590	3,359	-	40,949
Fraser Downs	45,263	5,519	50,782	13,520	1,523	1,015	16,058
Grand Villa	122,564	60,677	183,241	55,270	5,496	3,664	64,430
Hastings	21,966	-	21,966	5,488	659	439	6,586
Kamloops	30,218	2,529	32,747	8,563	982	-	9,545
Kelowna	34,135	4,073	38,208	10,160	1,146	-	11,306
Nanaimo	40,911	2,934	43,845	11,397	1,315	-	12,712
Penticton	27,831	1,715	29,546	7,881	889	57	8,827
River Rock	121,543	138,096	259,639	87,869	7,788	5,192	100,849
Starlight	76,464	42,191	118,655	37,005	3,559	2,373	42,937
Treasure Cove	42,610	2,131	44,741	11,657	1,342	895	13,894
Vernon	36,443	-	36,443	9,106	1,093	728	10,927
View Royal	69,875	8,631	78,506	20,914	2,355	1,570	24,839
Total	959,717	379,555	1,339,272	401,156	40,173	21,232	462,561

5 Service providers pay BCLC for certain costs which are subtracted in order to calculate the Total Commission. These costs include: the equivalent to one per cent of table net win for table game supplies; service provider contribution to BCLC marketing (0.5 to 0.6 per cent of total revenue from any sites with 400 or more slot machines); and other cost adjustments from time to time.

2011–2012
(in thousands of dollars)

Casino Name	Slot Revenue	Total Table Rev	Total Revenue	Operator Commission	FDC Earned	AFDC Earned	Total Commission ⁶
Billy Barker*	8,669	40	8,709	2,187	261	-	2,448
Boulevard	104,603	39,461	144,064	43,962	4,322	2,881	51,165
Cascades	90,174	18,465	108,639	31,028	3,261	2,174	36,463
Casino of the Rockies	13,686	867	14,553	3,989	437	-	4,426
Edgewater	59,943	53,629	113,572	38,593	3,409	-	42,002
Fraser Downs	46,110	5,719	51,829	13,891	1,557	1,038	16,486
Grand Villa	118,101	59,239	177,340	53,607	5,322	3,548	62,477
Hastings	21,987	-	21,987	5,510	661	441	6,612
Kamloops	30,855	2,208	33,063	8,599	992	-	9,591
Kelowna	33,257	3,979	37,236	10,098	1,118	649	11,865
Nanaimo	40,318	2,717	43,035	11,169	1,291	1,391	13,851
Penticton	27,579	1,676	29,255	7,686	876	-	8,562
River Rock	130,968	170,050	301,018	102,673	9,029	6,019	117,721
Starlight	75,230	35,427	110,657	33,800	3,321	2,214	39,335
Treasure Cove	44,414	1,915	46,329	12,019	1,390	927	14,336
Vernon	34,187	-	34,187	8,546	1,025	684	10,255
View Royal	67,606	7,670	75,276	19,981	2,260	1,507	23,748
Total	947,687	403,062	1,350,749	407,338	40,532	23,473	471,343

* Table games (excluding poker) were removed at Billy Barker Casino on May 23, 2011.

6 Service providers pay BCLC for certain costs which are subtracted in order to calculate the Total Commission. These costs include: the equivalent to one per cent of table net win for table game supplies; service provider contribution to BCLC marketing (0.5 to 0.6 per cent of total revenue from any sites with 400 or more slot machines); and other cost adjustments from time to time.

Community Gaming Service Provider Commissions

Community gaming includes commercial bingo halls and community gaming centres (CGC).

BCLC assumed the conduct and manage role of commercial bingo gaming in 2003. Bingo facilities in the province were not well maintained and there was little or no incentive to enhance the facilities. The commission structure recognized the need to incent service providers to enhance or redevelop their facilities. However, because bingo revenues have been in decline year over year since the late 1990s, it has been challenging for bingo hall service providers to take on any extensive upgrades.

BCLC developed the CGC model in 2004, recognizing that a different model was needed to help capture and maintain player interest. CGCs combine bingo and slot gaming with enhanced food & beverage and entertainment options. These enhanced facilities are popular with players and are sized to fit the marketplace.

All community gaming service providers have Operational Service Agreements with BCLC and receive the standard bingo commission, which incorporates an operating component as well as a FDC component. The bingo operating commission structure is:

- 60 per cent of bingo sales (after prizes are paid) on the first \$20,000 per week;
- 40 per cent of bingo sales (after prizes are paid) on the next \$60,000 per week;
- 25 per cent on bingo sales (after prizes are paid) greater than \$80,000 per week.

The bingo FDC component is five per cent of bingo sales (after prizes are paid).

CGC service providers receive a slot gaming commission of 28 per cent of net win, which is divided into two parts: 25 per cent operating commission and three per cent FDC.

AFDC is also part of the CGC commission structure and is currently⁷:

- 10 per cent of bingo sales (after prizes) on the first \$20,000 per week;
- 8 per cent of bingo sales (after prizes) on the next \$60,000 per week;
- 6 per cent of bingo sales (after prizes) on sales greater than \$80,000 per week.

The process for determining FDC and AFDC qualifying expenditures is similar to the process used for casino service providers. Guidelines are in place for bingo and CGC FDC/AFDC (see Appendix 2).

⁷ Effective April 1, 2012, BCLC transitioned CGC AFDC to 2 per cent of bingo and slot gaming net win in order to align it with the casino commission structure.

Community Gaming Service Provider Capital Investments and Development Commissions Earned

This chart details investments that have qualified for FDC/AFDC since 2002/03. (in thousands of dollars)⁸

CGC or Bingo Hall	Projects Qualified for FDC or AFDC	Total Capital Investment (qualifying for FDC or AFDC)	Total FDC/AFDC Earned as at March 31, 2012	Balance of qualified expenditures remaining as at March 31, 2012
Bingo Bingo Esquimalt	<ul style="list-style-type: none"> Major renovations to enhance player experience Minor renovations 	905	776	129
Chances Abbotsford (formerly Abbotsford Bingo)	<ul style="list-style-type: none"> Initial build out of facility 	11,449	2,522	8,927
Chances Campbell River	<ul style="list-style-type: none"> Initial build out of facility 	8,305	3,504	4,801
Chances Castlegar	<ul style="list-style-type: none"> Initial build out of facility 	5,000	470	4,530
Chances Courtenay (formerly Valley Entertainment Palace)	<ul style="list-style-type: none"> Initial build out of facility 	9,917	2,823	7,094
Chances Cowichan (formerly Inkspot Bingo)	<ul style="list-style-type: none"> Initial build out of facility 	4,872	3,387	1,485
Chances Dawson Creek (formerly Bear Mountain Bingo)	<ul style="list-style-type: none"> Initial build out of facility 	14,263	3,486	10,777
Chances Fort St. John (formerly Rainbow Bingo Hall)	<ul style="list-style-type: none"> Renovations to incorporate slot machines Initial build out of facility 	18,590	3,038	15,552
Chances Kamloops (formerly Enterprise Entertainment)	<ul style="list-style-type: none"> Initial build out of facility 	8,130	4,634	3,496
Chances Kelowna (formerly Bingo Kelowna)	<ul style="list-style-type: none"> Initial build out of facility Renovations to incorporate slot machines 	11,757	8,480	3,277
Chances Maple Ridge (formerly Haney Bingo Plex)	<ul style="list-style-type: none"> Initial build out of facility Renovations to incorporate slot machines 	1,788	1,732	56
Chances Mission (formerly Chances Boardwalk Mission & Mission Bingo)	<ul style="list-style-type: none"> Initial build out of facility 	4,421	2,295	2,126
Chances Prince Rupert (formerly Totem Bingo Hall)	<ul style="list-style-type: none"> Initial build out of facility 	11,687	1,733	9,954
Chances RimRock (formerly Dob City)	<ul style="list-style-type: none"> Initial build out of facility 	7,923	1,979	5,944
Chances Signal Point Gaming (formerly Lucky's the Bingo Centre)	<ul style="list-style-type: none"> Initial build out of facility Renovations to incorporate slot machines 	7,639	3,726	3,913
Chances Squamish (formerly Chances Boardwalk Squamish)	<ul style="list-style-type: none"> Minor renovations to enhance player experience 	11,806	494	11,312

8 If a service provider operates more than one facility, BCLC allows for consolidation of FDC eligible expenditures from all of that service provider's facilities. For both Newton Country Bingo and Penticton Bingo, BCLC has transferred eligible expenditures to these sites from other sites owned by those service providers. Totals for these sites include site specific and transferred eligible expenditures.

CGC or Bingo Hall	Projects Qualified for FDC or AFDC	Total Capital Investment (qualifying for FDC or AFDC)	Total FDC/AFDC Earned as at March 31, 2012	Balance of qualified expenditures remaining as at March 31, 2012
Chances Surrey (formerly Newton Bingo Country)	<ul style="list-style-type: none"> Minor renovations to enhance player experience 	2,979	2,373	606
Chances Terrace (formerly Lucky Dollar Bingo Palace)	<ul style="list-style-type: none"> Minor renovations to enhance player experience 	4,854	2,865	1,989
Chilliwack Bingo	<ul style="list-style-type: none"> Initial build out of facility to include slot machines 	374	2,004	(1,630)
Fairweather Bingo Hall	<ul style="list-style-type: none"> Renovations for temporary slot operation Initial build out of facility 	122	799	(677)
Harbour City Bingo Hall	<ul style="list-style-type: none"> Minor renovations to enhance player experience 	879	1,074	(195)
Planet Bingo	<ul style="list-style-type: none"> Minor renovations to enhance player experience 	1,639	2,496	(857)
Playtime Gaming Langley (formerly Langley Bingo Palace)	<ul style="list-style-type: none"> Minor renovations to enhance player experience 	3,521	2,032	1,489
Playtime Gaming Nanaimo	<ul style="list-style-type: none"> Minor renovations to enhance player experience 	926	880	46
Playtime Gaming Penticton (formerly Penticton Bingo Palace)	<ul style="list-style-type: none"> Minor renovations to enhance player experience 	616	566	50
Playtime Gaming Victoria	<ul style="list-style-type: none"> Minor renovations to enhance player experience 	796	750	46
Treasure Cove Bingo	<ul style="list-style-type: none"> Initial build out of facility 	8,457	3,196	5,261
Closed Sites		1,165	209	956
Total		164,780	64,323	100,457

Commissions Earned by Community Gaming Service Providers Annually

See Appendix 3 for further details on locations, service providers and former names of existing facilities.

2010–2011 (in thousands of dollars)

CGC or Bingo Hall	Slot Revenue	Bingo Revenue	Total Revenue	Operator Commission	FDC	AFDC	Total Commission
Bingo Bingo Esquimalt	-	4,581	4,581	885	90	-	975
Boardwalk Gaming Centre - Burnaby ⁹	-	4,795	4,795	914	96	143	1,153
Chances Abbotsford	14,145	984	15,129	3,727	440	314	4,481
Chances Campbell River	11,532	1,649	13,181	3,255	378	291	3,924
Chances Courtenay	12,395	1,957	14,352	3,519	407	317	4,243
Chances Cowichan	13,359	2,554	15,913	3,897	449	355	4,701
Chances Dawson Creek	13,059	753	13,812	3,417	405	286	4,108
Chances Fort St. John	14,401	710	15,111	3,755	445	314	4,514
Chances Kamloops	7,724	4,349	12,073	2,755	310	294	3,359
Chances Kelowna	25,957	7,813	33,770	7,590	892	713	9,195
Chances Maple Ridge	5,726	5,465	11,191	2,387	270	173	2,830
Chances Mission	10,085	1,040	11,125	2,695	318	230	3,243
Chances Prince Rupert	6,770	1,592	8,362	2,003	230	187	2,420
Chances Rim Rock	7,563	1,596	9,159	2,241	257	207	2,705
Chances Signal Point	9,548	2,583	12,131	2,954	335	282	3,571
Chances Squamish	4,315	453	4,768	1,131	134	96	1,361
Chances Surrey	-	8,966	8,966	1,505	172	-	1,677
Chances Terrace	8,115	1,822	9,937	2,366	273	216	2,855
Chilliwack Bingo	-	12,204	12,204	2,002	239	-	2,241
Fairweather Bingo	-	4,080	4,080	799	75	-	874
Harbour City Bingo	-	4,995	4,995	922	89	-	1,011
Planet Bingo	-	9,592	9,592	1,495	165	-	1,660
Playtime Gaming Langley	2,191	5,536	7,727	1,567	167	227	1,961
Playtime Gaming Nanaimo	-	2,895	2,895	617	52	-	669
Playtime Gaming Penticton	-	2,553	2,553	534	45	-	579
Playtime Gaming Victoria	-	3,560	3,560	718	64	-	782
Rocky Mountain Bingo	-	1,610	1,610	349	33	-	382
Treasure Cove Casino	-	8,935	8,935	1,339	143	242	1,724
Total	166,885	109,622	276,507	1,338	6,973	4,887	73,198

9 Boardwalk Gaming Centre - Burnaby closed March 20, 2011.

2011–2012 (in thousands of dollars)

CGC or Bingo Hall	Slot Revenue	Bingo Revenue	Total Revenue	Operator Commission	FDC	AFDC	Total Commission
Bingo Bingo Esquimalt	-	4,034	4,034	777	76	-	853
Chances Abbotsford	15,417	839	16,256	4,019	477	336	4,832
Chances Campbell River	11,985	1,458	13,443	3,328	388	293	4,009
Chances Castlegar ¹⁰	4,825	59	4,884	1,217	146	98	1,461
Chances Courtenay	13,939	1,215	15,154	3,727	439	319	4,485
Chances Cowichan	13,485	2,140	15,625	3,826	444	343	4,613
Chances Dawson Creek	14,593	515	15,108	3,765	448	311	4,524
Chances Fort St. John	16,829	585	17,414	4,348	518	359	5,225
Chances Kamloops	9,301	4,289	13,590	3,144	356	325	3,825
Chances Kelowna	27,323	7,573	34,896	7,945	934	744	9,623
Chances Maple Ridge	13,462	3,696	17,158	4,083	469	387	4,939
Chances Mission	11,010	1,227	12,237	2,952	348	252	3,552
Chances Prince Rupert	7,097	1,271	8,368	2,025	235	182	2,442
Chances RimRock	7,670	1,212	8,882	2,193	254	198	2,645
Chances Signal Point	9,882	2,220	12,102	2,963	338	278	3,579
Chances Squamish	4,239	365	4,604	1,088	130	89	1,307
Chances Surrey	-	8,940	8,940	1,584	182	-	1,766
Chances Terrace	9,621	1,279	10,900	2,645	310	230	3,185
Chilliwack Bingo	-	11,325	11,325	1,891	225	-	2,116
Fairweather Bingo	-	3,599	3,599	747	68	-	815
Harbour City Bingo	-	4,480	4,480	916	88	-	1,004
Planet Bingo	-	9,960	9,960	1,607	180	-	1,787
Playtime Gaming Langley	2,339	5,141	7,480	1,532	163	216	1,911
Playtime Gaming Nanaimo	-	2,420	2,420	530	44	-	574
Playtime Gaming Penticton	-	2,421	2,421	561	47	-	608
Playtime Gaming Victoria	-	3,752	3,752	808	75	-	883
Rocky Mountain Bingo ¹¹	-	518	518	121	11	-	132
Treasure Cove Casino	-	9,382	9,382	1,401	150	255	1,806
Total	193,017	95,915	288,932	65,743	7,543	5,215	78,501

10 Chances Castlegar opened July 26, 2011.

11 Rocky Mountain Bingo closed July 23, 2011.

Appendix 1: Facility Development Commission Guidelines for BCLC Casino Service Providers

Objective: to provide a guide to access the Facilities Development Commission (FDC).

The FDC is a facility development commission which is subject to the operator providing and adhering to an annual Business Plan and/or Capital Budget. This commission allows the Service Provider (SP) to recover the initial capital investment on casino facilities and subsequent capital replacements and enhancements of the casino facility.

The FDC is accumulated by the SP by depositing a percentage (outlined in their individual Casino Operational Services Agreement (COSA) of Net Win into a trust account. Withdrawals from the FDC account are dependent upon the SP obtaining approval from British Columbia Lottery Corporation (BCLC). In order to process requests for withdrawals from the FDC account, BCLC requires:

1. An annual Business Plan and/or Capital Budget for review prior to the commencement of the capital project.
2. Details of the actual payments made with a comparison to the original plan and explanations of variances.

When the Business Plan/Capital Budget is submitted to BCLC by the SP, BCLC will respond with confirmation as to the eligible project expenditures which meet the terms of the FDC program. Written authorization for the SP to withdraw funds from the FDC trust account may take place, only after BCLC has reviewed and approved the actual expenditures (with budget variance explanations).

Eligible Expenditures will be considered under the following general headings:

- Pre-Development Costs,
- Construction Costs,
- Furnishing and Equipment, and
- Opening Costs

1. Pre-Development Costs

- Soft Costs associated with the design and construction of a facility subsequent to BCLC approving a detailed Facility Development Business Plan:
 - Costs related to retaining building/construction professionals such as architects, engineers, for the preparation of documents or blue prints used in the physical development of the facility.
 - Costs of satisfying municipal requirements such as development cost charges, permit/development fees, market studies/reports.
 - Cost of developing a project execution plan with a supplier approved by BCLC (Arm's Length Transaction).

- Costs associated with the purchase of property – limited to legal fees, land transfer taxes, and construction period property taxes up to the point of substantial completion of the facility.
- Financing or interest costs associated with loans or other financing arrangements for new capital construction or improvements during the construction phase up to the point of substantial completion of the project. On-going financing costs are not eligible for FDC compensation.
- Utility costs during the course of construction up to the point of substantial completion of the facility.
- Costs associated with varying the organizational structure to facilitate a project may be eligible at the discretion of BCLC.
- For example, Staff wages may be eligible if an internal staff member is participating in a role where the job description would be a normal construction function.

3. Construction Costs

- The normal costs of construction in relation to the approved Facility Development Business Plan.
- The land purchase will be eligible only after construction of the land improvements have commenced.
- Land and building leases may be eligible. Payments under a capital lease may be eligible based on the lower of net present value or the original cost. Interest or financing costs related to leases are not eligible for FDC.
- Convention centers, theatres, pubs and bar, restaurants and racetrack facilities—all additional amenities constructed to make the complex more appealing to visitors may be eligible for FDC (at the discretion of BCLC).
 - Common areas of eligible and non-eligible structures will be approved based on reasonable allocation.
- Interior and exterior construction (or improvements) to meet BCLC standards for surveillance and security or facility design, parking, ambience, or operational efficiency.
- Infrastructure improvements to washrooms, HVAC, plumbing, heating, electrical, generator systems (in case of power failure) and landscaping and sprinkler systems.
- Health and safety improvements relating to the Gaming Operation.

4. Furnishings and Equipment

- Start-up equipment and décor for the casino operation, including all of the amenity areas: convention centers, theatres, pubs and bars, restaurants and racetrack facilities where these facilities have been approved by BCLC.
- Initial and ongoing improvements to maintain the quality of experience for the gaming public, including ambient lighting, signage, carpet, millwork, seating, suites for group bookings, etc.

- Capital (equipment) leases may be eligible. Payments under a capital lease may be eligible based on the lower of net present value or the original cost. Interest or financing costs related to leases are not eligible for FDC.
- Repairs and maintenance of furnishings and equipment will not be eligible unless the life of the capital asset is extended.
- Back of house equipment required by BCLC such as ticket redemption machines, counting machines.

5. Opening Costs

- Grand opening or grand re-opening celebrations (at the discretion of BCLC) may be eligible.
- Staff certification costs for liquor requirement – Serving It Right.

The following list of expenditures will not be FDC eligible:

- Improvements of which SP is the primary beneficiary such as executive office space or retail space.
- All costs deemed to be staff training in nature.
- Costs deemed to be marketing in nature (sponsorships, mail-outs, lure pieces, website development).
- Costs of exceeding BCLC facility standards for normal workplace requirements (employee gyms, lounges, etc).
- Some workplace equipment, technology, or supplies used by the SP (computer equipment, telephones, headphones, and some radio equipment).
- Supplies considered disposable, such as but not limited to; videotapes, table felts, hand-held counterfeit detectors and food and beverage supplies.
- GST.
- Financing costs (except as mentioned above under eligible expenditures).
- Items that are paid for by BCLC.
- Repairs and maintenance to the building, equipment and furnishings.
- Costs associated with option extensions on the purchase of land or building.
- Operating leases such as but not limited to slot and table game leases.
- Costs related to staff training except where noted.

When submitting requests for approval and subsequent withdrawal from the FDC Fund, please provide the information using the template provided by BCLC:

- a. Schedules listing the expenditures with reconciliation to the Business Plan/Capital Budget. Explanations of large variances between actual costs and the Business Plan/Capital Budget must be submitted. Variances which exceed the original budget, where reasonable, may be considered.
- b. For mortgage or loan payments, provide details to separate the principal repayments from the interest or financing costs. An amortization schedule should also be provided.
- c. FDC submissions must be submitted to BCLC electronically. If electronic submission is not feasible, submissions can be faxed and/or mailed.

Email: CasinoSPFDF@bclc.com
Fax: 1-800-637-0746
Address: 74 West Seymour Street
Kamloops, BC V2C 1E2

In all cases, submissions for eligible expenditures must be net of GST.

BCLC will provide to the SP, reconciliation between items being claimed and those approved as eligible expenditures.

BCLC will provide a monthly FDC schedule to SPs. The schedule will include:

- A percentage of Net Win (based on COSA), accumulated by BCLC fiscal periods;
- Total expenditures that have been claimed for reimbursement from the FDC Fund and have been approved by BCLC;
- The current balance.

The current balance will be a debit if accumulated FDC funds are greater than approved expenditures. From time-to-time, BCLC will request SPs provide confirmation of the balance in the trust account.

The balance will be a credit if the total qualifying expenditures approved by BCLC are more than the total accumulated FDC funds. In this case, we will confirm with you the balance of qualifying expenditures that remain unfunded.

The maximum that may be withdrawn from the fund is the lesser of the net accumulated FDC balance and the balance of previously unfunded approved expenditures.

When BCLC reports the balance in the FDC Fund, please return confirmation of this figure. Confirmations can be sent by email or fax. In the event of discrepancies, contact Casino Finance to identify and clear up any differences as soon as possible.

CONSOLIDATION

Where a SP operates more than one casino in British Columbia, FDC may at BCLC's discretion, be allowed to be consolidated. That is, FDC earned by all casinos in the SP corporate group and FDC expenditures approved by BCLC, for those casinos in the SP corporate group may be consolidated at a global level by the SP.

Appendix 2: Facility Development Commission Guidelines for BCLC Bingo and Community Gaming Service Providers

1. Objective: To provide a guide to access the Facility Development Commission (FDC) Program

The purpose of FDC is to provide additional compensation to Bingo Service Providers (BSP) for the component of the operation of the gaming facility that relates to the provision of the facility. The additional compensation related to the operation of the gaming facility is derived from the Bingo net of prizes and Slot net win, provided the BSP utilizes these funds to improve the gaming facility. Bingo FDC, Slot FDC and additional CGC FDC percentages are laid out in accordance with Schedule A of the Bingo Operational Services Agreement (BOSA).

BCLC will be required to approve the improvements prior to commencing on the proposed project. The types of improvements that BCLC will approve include initial capital investment of the facility as well enhancements to a gaming facility (see section below for examples of eligible and ineligible projects).

Before a BSP can start to earn this additional compensation, BCLC must approve a detailed Facility Plan and a Business Plan. Once both detailed plans are received, BCLC will allow the additional compensation to accumulate prior to completion of the project (see accumulation of FDC for major projects). The plans will be reviewed in detail and the BSP will be advised, in writing, of any shortcomings or deficiencies that need to be addressed. Arrangements will be made to discuss what is expected and to establish mutually agreeable timelines to resolve the issues so as not to interrupt the FDC accumulation.

The BSP will be required to substantiate that the improvements have been completed.

If the BOSA is cancelled prior to the BSP earning the entire approved amount of FDC, any outstanding amounts for facility improvements will not be paid by BCLC.

If the BOSA is assigned to a new BSP by BCLC, that new BSP can earn the outstanding FDC compensation under the BOSA based on the improvements that have been made to the facility pursuant to the Facility Business Plan previously approved by BCLC.

2. Prior to Commencing a Project:

For Major Projects (requiring designs and/or structural changes), BCLC requires:

- a. A detailed Facility Plan and Business Plan (refer to template), including details of the size and layout of the facility and renderings including the enhancements, themes, and ambiance elements, estimated sales and profit projection, capital budget plan and a construction/project execution plan for review and approval prior to the commencement of the capital project.
- b. Completed FDC Request Form. Available from Business Development Manager (BDM).

For Minor Projects BCLC requires:

- a. Brief written description of proposed capital project for review.
- b. Completed FDC Request Form (available from BDM).

3. Process:

The BSP must provide the BDM with a detailed Facility Plan and Business Plan as described above (for Major Projects) or written description (for Minor Projects) and a completed FDC Request Form. The BDM will submit the request to the Manager, Facilities Gaming, who will review the request within 30 working days and either approve or recommend changes.

Major Projects—once the detailed Facility Plan and Business plan has been received and eligibility for FDC is determined by the Manager, Facilities Gaming, a letter will be sent to the BSP acknowledging receipt and advising of the start date for accumulation. Written approval or recommended changes and approved budgets will follow within 30 working days. Arrangements will be made to discuss what is expected and to establish mutually agreeable timelines to resolve the issues so as not to interrupt the FDC accumulation.

Minor projects—once approved and eligibility for FDC is determined by the BDM, a letter will be sent to the BSP approving the project and budget as being eligible to trigger additional compensation through FDC when the minor project is completed.

Projects can commence once the written approval is received by the BSP for both Major and Minor Projects.

4. Accumulation of FDC for Major Projects:

Major Projects may accumulate FDC upon BCLC receiving the detailed Facility Plan and Business Plan up to an amount equivalent to the cost of the approved project as set out in the Facility Plan. The effective date for accumulation will be identified in the letter sent to the BSP advising of the start date and will coincide with the weekly accounting cycle for FDC. A signed final approval to proceed or make recommended changes along with an approved budget for a Major Project will be issued by BCLC to the BSP within 30 working days. Construction/renovations must commence as set out in the construction schedule in the approved Facility Plan. Any and all delays must be immediately reported to BCLC. Failure to adhere to all Facility Plan schedules may result, at BCLC's discretion, in an interruption of FDC accumulating for that facility until the project is back on schedule. BCLC may in its sole and absolute discretion continue accumulation during the delay. The BSP must inform BCLC in writing immediately if at any time during the course of the construction the completion costs will exceed 10% or more of the pre-approved budget. Failure to do so may result in BCLC only allowing the pre-approved budget as the eligible expenditure.

Where a facility is being relocated, FDC will start accumulating on the date BCLC formally advises the BSP of receiving the Facility Business Plan for the relocated facility.

- a. Where an existing facility is already receiving the FDC, accumulation relating to an approved relocation project cannot commence until the FDC compensation related to the existing facility has been fully earned pursuant to the BOSA.
- b. If a facility with FDC owing ceases to operate, no further FDC compensation is payable in respect of that facility and is not transferable to the new relocated facility.
- c. If a facility is sold by the BSP and there is approved FDC compensation which has not been earned, no further FDC compensation is due to the seller. Any approved FDC compensation which still may be earned will transfer with the BOSA.
- d. If a facility is already receiving FDC compensation, previously approved projects must be fully completed and fully paid by FDC compensation equivalent to the eligible approved expenditure.

An approved Facility Plan and Business Plan must be in place before accumulation can commence for any subsequent improvement.

- e. Where a BSP has more than one facility, all being 100% owned by the BSP, FDC will accumulate individually for each of the facilities in the group with a Facility Plan and Business Plan. The first FDC payment will commence when the project is complete and will include all accumulated FDC compensation for that facility.
 - If a facility is maintained to BCLC standard and there are no approved FDC compensation amounts which have not been earned as well as no other approved projects for FDC, FDC compensation for that facility may in BCLC's sole discretion accumulate on account of one of the other facilities in the group that has an approved Facility Business Plan.
 - If a facility is eligible to receive FDC on account of another facility, then FDC compensation paid will be based on the first instance of an approved and completed project. (First in, first to get compensation paid out basis).

5. Payment of FDC:

Minor Projects:

When the minor project is complete as determined by the BDM, the BSP must submit the signed FDC Approved Form with satisfactory evidence of the project being completed and explanation on any variances from the original plan to BCLC Bingo Finance.

In order to incorporate the FDC compensation for Minor Projects on the weekly invoice, the FDC Approved Form must be faxed to Bingo Finance by Friday at 10:00AM for the next sweep date (the following Thursday).

Major Projects:

At the time construction commences or when a lease has been signed securing a new building, the BSP may send a letter to BCLC requesting the release of the accumulated FDC to cover the expenditures paid on pre-development costs and land. The letter should provide a list of the pre-development costs and include proof of purchase on the land if applicable. If the expenditures are in excess of the accumulated FDC, the BSP will continue to receive weekly FDC. The BSP will only receive FDC equivalent to the approved expenditures at which time accumulation will restart and continue until the project is substantially complete.

When the major project is substantially complete as determined by the Manager, Bingo Facilities Gaming, any remaining accumulated FDC will be released to the BSP on the coinciding weekly invoice. The BSP will have 120 days to submit the FDC Approved Form with satisfactory evidence of the project being complete and any variance from the original plan to BCLC Bingo Finance. The package shall include all copies of paid invoices for the total project including any pre-development costs that were approved for release at the time construction commenced. Failure to submit the FDC Approved Form and satisfactory evidence within 120 days may result in BCLC ceasing the FDC accumulation until sufficient documentation is received.

Email: Bingofinance@bclc.com
Phone: 1-250-828-5500
Fax: 1-250-828-5607
Address: 74 West Seymour Street, Kamloops, BC V2C 1E2

As set forth in the current BOSA, FDC compensation will be paid to the BSP on a weekly basis and reflected in the BSP bank account. For Major Projects, the first FDC payment will include all accumulated FDC compensation for that facility. Subsequent payments will flow from the FDC earned each accounting cycle. No FDC payment will be made until the major project is substantially complete.

BCLC Bingo Finance will provide an FDC Hall History Report which details:

- projects that have been approved for FDC compensation;
- weekly FDC compensation paid; and
- current balance outstanding.

Information regarding the process can be obtained from the BDM or, Manager, Facilities Gaming.

Expenditures are incurred solely on behalf of the BSP and will not be reimbursed by BCLC. The responsibility of paying all expenditures rests solely with the BSP. FDC is available to encourage investment in the facility but there is no guarantee that earned FDC compensation will cover the cost of the improvements.

Set forth below are some of the guidelines used by BCLC in considering FDC projects; however, BCLC reviews each FDC project on its own merits. Decisions regarding approvals of FDC will be in the sole and absolute discretion of BCLC. There are circumstances whereby BCLC may determine that only a portion of a project may meet eligibility requirements, or only a portion may actually be related to the bingo gaming aspect of the facility. In this case, BCLC may, in its sole and absolute discretion, assess a proportional amount of the project as eligible for FDC compensation.

In the event the Facility or Land are not used as originally approved by BCLC per the Facility Development Plan, the amount of the FDC expenditure that was originally approved will be re-assessed by BCLC.

6. Eligible Projects may include:

a. Development Costs

- At the discretion of BCLC, land and improvements to land and building, may be considered as eligible FDC compensation, or any portion thereof.
- Soft Costs associated with the design and construction of a facility after BCLC has approved a detailed Facility Business Plan:
 - Related to hiring building/construction professionals such as architects, engineers for the preparation of documents or blue prints that will be part of the physical development.
 - Costs of satisfying municipal requirements such as development cost charges and permit fees.
 - Cost of developing a project execution plan with a supplier approved by BCLC.

- Costs associated with the purchase of property - limited to legal fees, land transfer taxes and construction period property taxes up to the point of substantial completion of the facility.
 - Utility costs during the course of construction up to the point of substantial completion of the facility.
 - Interior and exterior construction to meet BCLC standards for surveillance and security or facility design, ambience, or operational efficiency.
 - Infrastructure improvements to washrooms, HVAC, plumbing, heating, electrical, generator systems (in case of power failure).
 - Health and safety improvements relating to the Gaming Operation.
 - Approved facility relocation costs.
 - Gaming facility construction costs.
 - Landscaping and sprinkler systems.
- b. Furnishing and Cosmetic Décor
- Ongoing improvements to maintain quality of experience for the gaming public, including ambient lighting, signage, carpet, millwork, seating, playing surfaces, suites for group bookings, etc.
 - Costs associated with design to improve the overall player experience.
- c. Capital leases may be eligible. Payments under a capital lease may be eligible based on the lower of net present value or the original cost. Interest or financing costs related to leases are not eligible for FDC.
- d. Financing or interest costs associated with loans or other financing arrangements for new capital construction or improvements will be eligible for FDC during the construction phase until the time of substantial completion of the project. Once the construction of the capital project is substantially complete and the accumulated FDC is released and FDC commences on a weekly basis, on-going financing costs are not eligible for FDC compensation.

7. Examples of Projects not eligible for FDC:

- a. Improvements of which BSP is the primary beneficiary such as executive office space or retail space.
- b. All costs incurred preparing a Business Plan or Marketing Plan.
- c. Costs associated with organizational structure including varying the organizational structure to facilitate a project.
- d. Costs of exceeding BCLC facility standards for staff rooms, workplace requirements (that is, employee gyms, lounges, etc).

- e. Workplace equipment, technology, or supplies used by the BSP (except for those needed on the gaming floor), e.g. computer equipment, telephones, headphones.
- f. GST.
- g. Financing Costs (except as mentioned above under Eligible expenditures #6.d).
- h. Supplies considered disposable, such as, videotapes, hand-held counterfeit detectors and Food and Beverage supplies.
- i. Items that are paid for and owned by BCLC.
- j. Marketing initiatives or expenses such as a development of a web page or web site.
- k. Penalty and fines incurred by contractors performing improvements.
- l. Minor repairs and maintenance to the building and furnishings.
- m. Costs associated with option extensions on the purchase of land or building.

Appendix 3: BCLC Casino and Community Gaming Facilities and Service Providers

Casino Service Providers

Facility	Service Provider	Municipality
Billy Barker Casino	585 Holdings Ltd.	Quesnel
Boulevard Casino (formerly Coquitlam)	Great Canadian Casinos Inc.	Coquitlam
Cascades Casino (formerly Royal Towers)	Gateway Casinos and Entertainment Limited	Langley
Casino Nanaimo	Great Canadian Casinos Inc.	Nanaimo
Casino of the Rockies	SEM Resort Limited Partnership	Cranbrook
Edgewater Casino (formerly Grand & Royal Diamond)	Edgewater Casino ULC	Vancouver
Fraser Downs Racetrack and Casino	Orangeville Raceway Ltd	Surrey
Grand Villa Casino (formerly Burnaby)	Gateway Casinos and Entertainment Limited	Burnaby
Great Canadian Casino View Royal (formerly Mayfair, Victoria)	Great Canadian Casinos Inc.	View Royal
Hastings Racecourse Casino	Hastings Entertainment Inc.	Vancouver
Holiday Inn	Great Canadian Casinos Inc.	Vancouver
Jack o' Clubs	Jack o' Clubs Gaming Hall Ltd.	Wells
Lake City Casino Kamloops	Lake City Casinos Ltd. Gateway Casinos and Entertainment Limited	Kamloops
Lake City Casino Kelowna	Lake City Casinos Ltd. Gateway Casinos and Entertainment Limited	Kelowna
Lake City Casino Penticton	Lake City Casinos Ltd. Gateway Casinos and Entertainment Limited	Penticton
Lake City Casino Vernon	Lake City Casinos Ltd. Gateway Casinos and Entertainment Limited	Vernon
Mandarin Centre	Gateway Casinos Limited	Vancouver
Newton	Great Canadian Casinos Inc.	Surrey
Red Lion	Great Canadian Casinos Inc.	Victoria
Renaissance	Great Canadian Casinos Inc.	Vancouver
River Rock Casino Resort (formerly Richmond)	Great Canadian Casinos Inc.	Richmond
Starlight Casino (formerly Royal City Star)	Gateway Casinos and Entertainment Limited	New Westminster
Treasure Cove Casino (formerly Hollywood)	Treasure Cove Casino Inc.	Prince George