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VIA EMAIL

June 18, 2021

[applicant information]

Re: Request for Records: BCLC File 21-011

British Columbia Lottery Corporation (BCLC) writes further to your April 7, 2021 request under B.C.'s *Freedom of Information and Protection of Privacy Act* (FIPPA) and BCLC's letter dated April 7, 2021.

You requested:

"Any and all records including emails (sent or received, excluding attachments and TNO/Media Watch Records), briefing notes, issues notes, decision notes, memo/memorandums, power points, electronic or hand-written notes, or other types of documents regarding a decrease in revenue at BCLC. For reference see: Transcript January 25, 2021.pdf (cullencommission.ca) page 157-158. Restrict search to Chief Financial Officer, Finance and Corporate Services Department, Chief Executive Officer, Chief Operating Officer, and Chief Compliance Officer, including records held by individuals who previously held these positions. (July 15 – August 31, 2018)"

BCLC is providing 122 pages of records in response to your request.

Some information has been withheld from disclosure under sections 13, 17 and 22 of FIPPA. An additional 18 pages have been withheld in their entirety under section 12 of FIPPA.

Below are the reasons for withholding information under each of the exceptions to disclosure noted.

Section 12 (cabinet and local public body confidences)

The information withheld under this section would reveal the substance of deliberations of the Executive Council or some of its committees, including advice and recommendations submitted or prepared for submission to the Executive Council or some of its committees.

Section 13 (policy advice or recommendations)

The information withheld under this section constitutes advice and recommendations by BCLC staff and others to BCLC decision makers.

Section 17 (harm to the financial or economic interests of BCLC)

The information withheld under this section is harmful to BCLC's financial or economic interests because disclosure would reveal the private cell phone numbers of several BCLC employees, which could necessitate changing the numbers with an associated cost to BCLC. In addition, there is some information in the records that deals with BCLC's core business functions that, if disclosed, would be harmful to the business or economic interests of BCLC.

Section 22 (harm to personal privacy)

The information withheld under this section consists of the personal information of third party individuals that would be an unreasonable invasion of personal privacy if disclosed.

The full text of sections 12, 13, 17 and 22 can be found at:
http://www.bclaws.ca/Recon/document/ID/freeside/96165_00

These records will be published a minimum of five business days after release at:
<https://corporate.bclbc.com/who-we-are/corporate-reports/reports-disclosures.html>

If you have any questions or concerns regarding BCLC's processing of your request, please contact me at ksimcoe@bclbc.com, via mail or at (250) 852-5228.

Additionally, under section 52 of FIPPA, you may ask the Information and Privacy Commissioner to review this reply to your request for information. You have 30 business days from the receipt of this notice to request a review by writing to:

Office of the Information and Privacy Commissioner for British Columbia
P.O. Box 9038, Station Provincial Government
Victoria, BC V8W 9A4

T (250) 387-5629 F (250) 387-1696
Email info@oipc.bc.ca Online www.oipc.bc.ca

Sincerely,
[original signed by]

Kevin Simcoe
Senior Freedom of Information Analyst

Enclosure

From: Amanda Hobson
Sent: July-23-18 3:20 PM
To: s 22
Subject: FW: FP3 YTD FY19 Reporting Package
Attachments: YTD FP03 FY19 Reporting Package.pptx

Hi Peter,

Please see attached the analysis I mentioned on the Q1 results. See below for relevant commentary.
I don't typically review the financial statements in this level of detail, but would be happy to if you like.

Things to keep in mind when reviewing the monthly package:

- 1) FP1 FY19 has 28 days vs. 22 days last year, **6 additional days in the current year**. This occurred as April 1st landed on a Sunday this year and it was on a Saturday last year. The impact of the additional days are most apparent in net win and salaries and benefits (opex) when reviewing comparisons to prior year.
- 2) The Budget incorporated a new **OSA start date** for all service providers starting April 1st. s 17(1)
- 3) The **Budget incorporated a decline of \$60M in Tables Net Win** due to potential implementation of cash restrictions in CCG facilities. In the latest forecast (May TBS), this decline assumption was removed. For ease of reference, the reporting package has called out this budget item separately.

Commentary vs. Budget

Net income was \$372.6M vs. budget of \$327.7M, **\$44.9M (13.7%) higher** than budget. This is primarily driven by the following –

- 1) GM was \$36.5M (8.7%) higher than budget broken down by:
 - i. \$28.3M volume; higher net win primarily driven by a decline assumption in budgeted table net win due to implementing cash restrictions in casinos, Lotto Max (8 \$50M+ jackpots in FY19 over 13 weeks), Slots, Instant category, Extras offset by “normalized” Table net win.
 - ii. \$4.7M higher GM rate (primarily due to favourable lotto mix and slots rate due to timing of slots lease spend)
 - iii. \$3.5M favorability due to SPs transitioning to the new OSA later than budgeted (budgeted to all transition April 1)
- 2) Operating expenses were \$5.4M (12.9%) lower than budget (primarily due to \$2.9M Professional Fees, \$1.8M Advertising & Marketing, \$0.4M Salaries & Benefits). Gaming Support Costs were \$0.3M (2.8%) under budget.

Commentary vs. Prior Year

Net income was \$372.6 vs. prior year of \$326.9M, **\$45.7M (14.0%) higher** than prior year. This is primarily driven by the following –

- 1) GM was \$54.4M (13.6%) higher than prior year broken down by:
 - i. \$53.3M higher volume primarily driven by Slots, Lotto Max (8 \$50M+ jackpots in FY19 vs. 4 in FY18), and eCasino. Current year FP1 has 6 more days vs prior year accounting for approximately half of the volume favourability.
 - ii. \$1.1M higher GM rate. Although overall GM rate is in line with prior year, favourable product mix (lower table net win and higher lotto net win) is currently more than offsetting higher commission rates under the new OSA.
- 2) Overall operating expenses were \$5.6M (18.5%) higher vs. prior year (primarily due to \$4.2M Salaries & Benefits and \$1.1M Advertising & Marketing). Gaming Support Costs were \$1.0M (10.4%) higher vs. prior year. Increases in Operating Expenses and Gaming Support Costs were budgeted and planned to be higher vs. prior year.

Let me know if you have questions.

Regards,

Amanda Hobson

CFO and VP, Finance and Corporate Services
BCLC, 74 Seymour St W, Kamloops BC V2C 1E2
T 250 828 5599 Ms 17(1)

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

YTD FP3 FY19 Financial Review

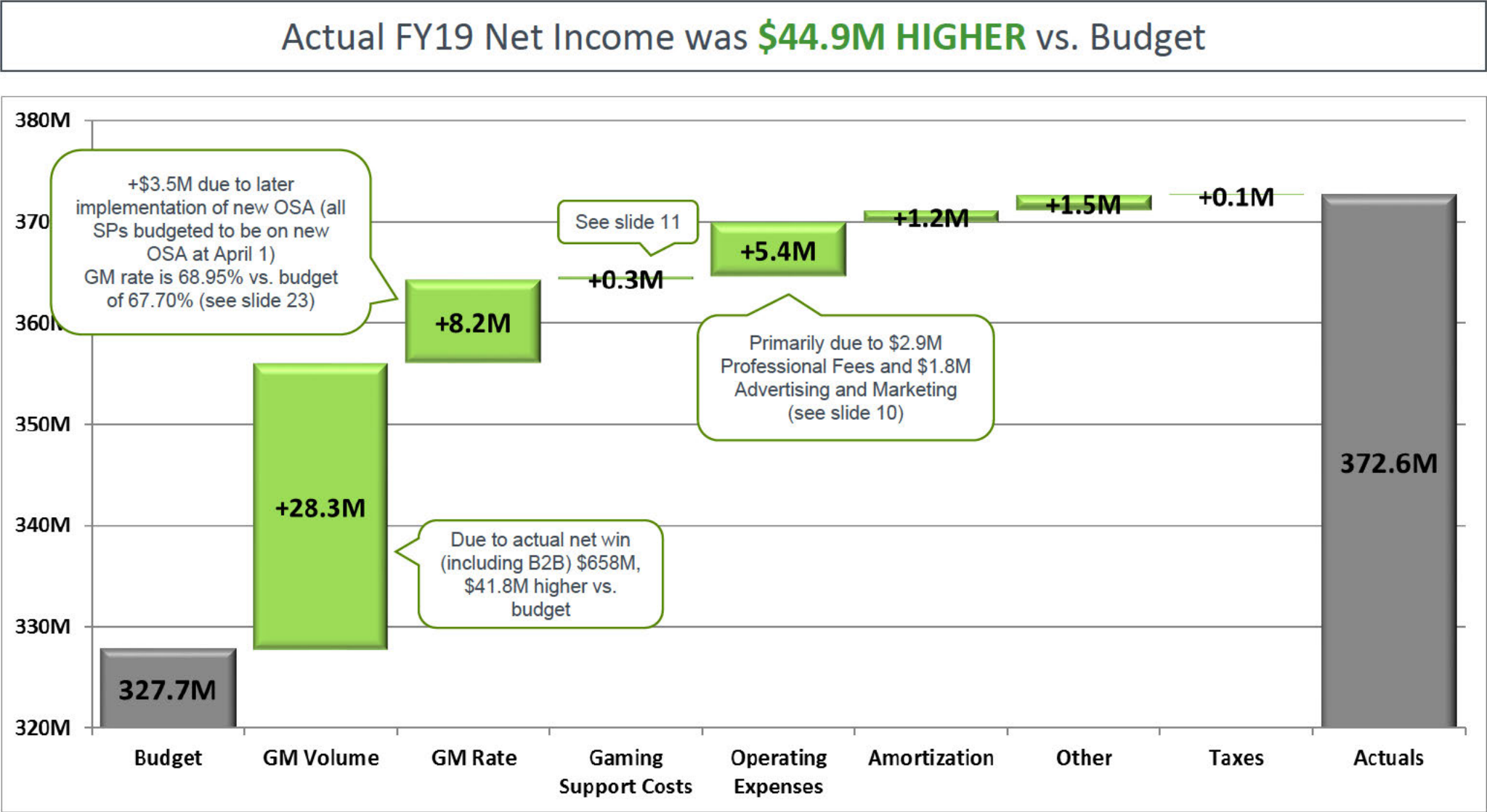
Sent to Execs July 17, 2018

Net Income

Budget Comparison

Prior Year Comparison

Net Income Waterfall – Budget vs. Actuals

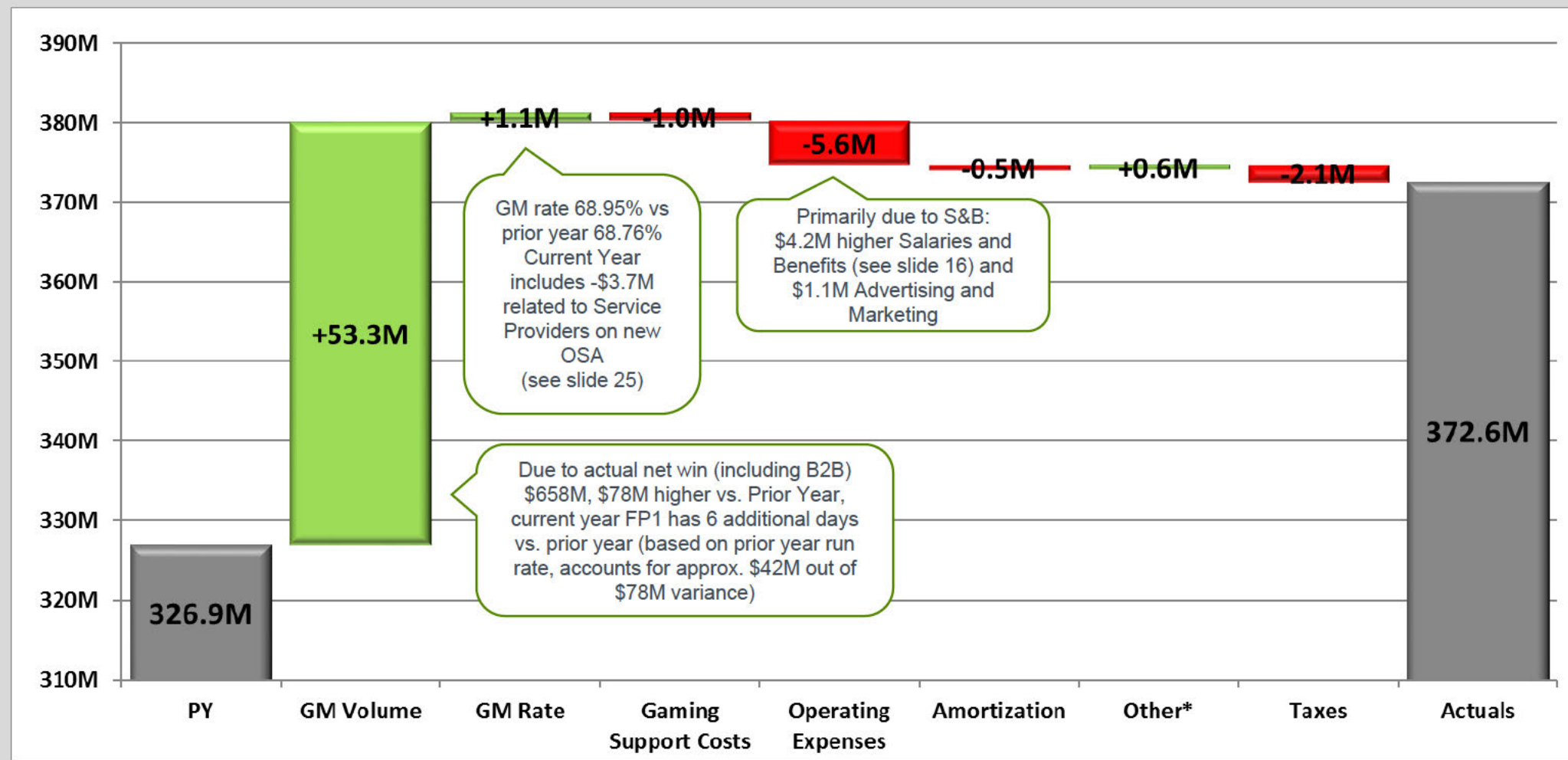


Some figures may not add due to rounding



Net Income Waterfall – Prior Year vs. Actuals

Actual FY19 Net Income was **\$45.7M HIGHER** vs. Prior Year



Some figures may not add due to rounding

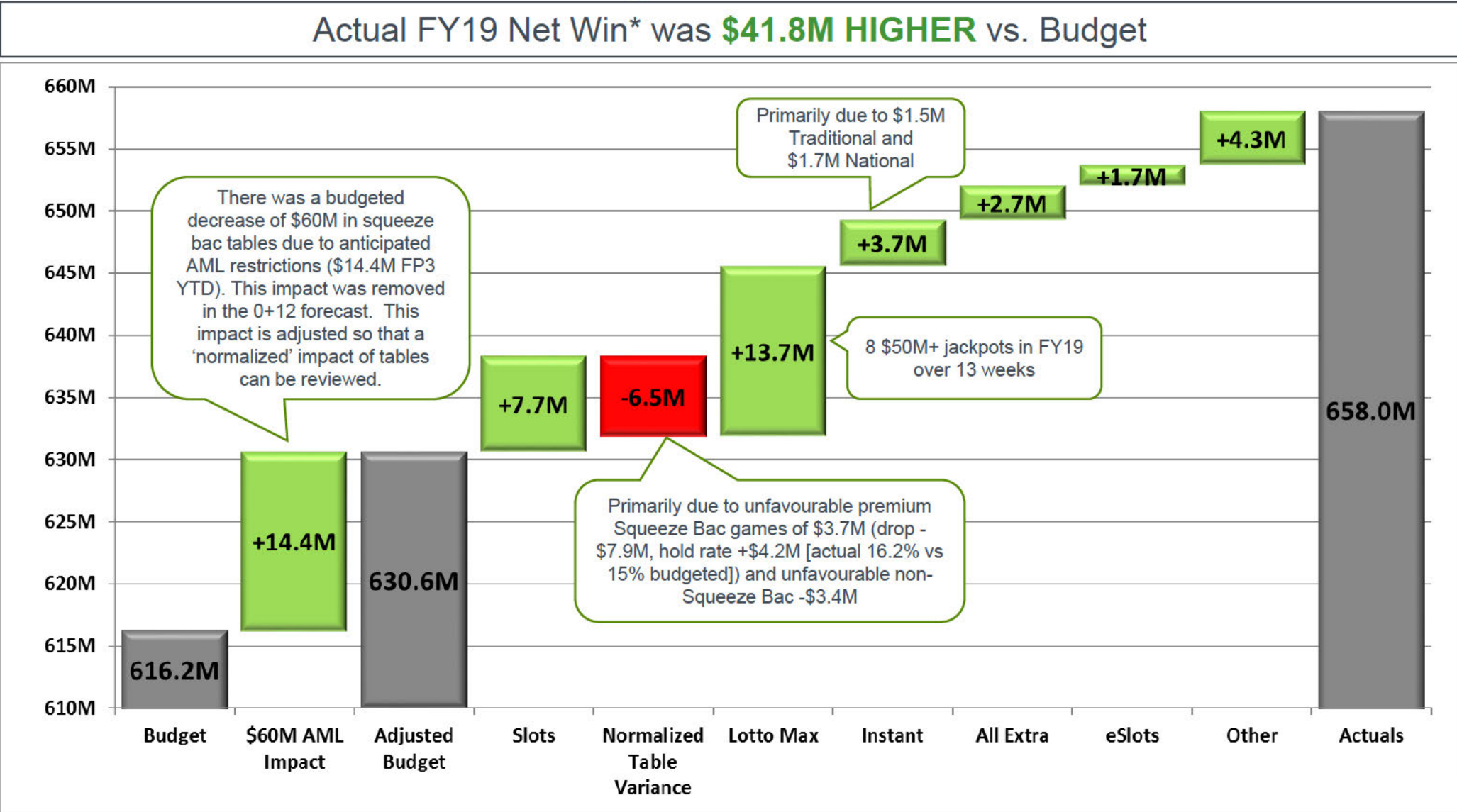
*Includes Other Income and Special Operating Costs

Net Win

Budget Comparison

Prior Year Comparison

Net Win Waterfall – Budget vs. Actuals

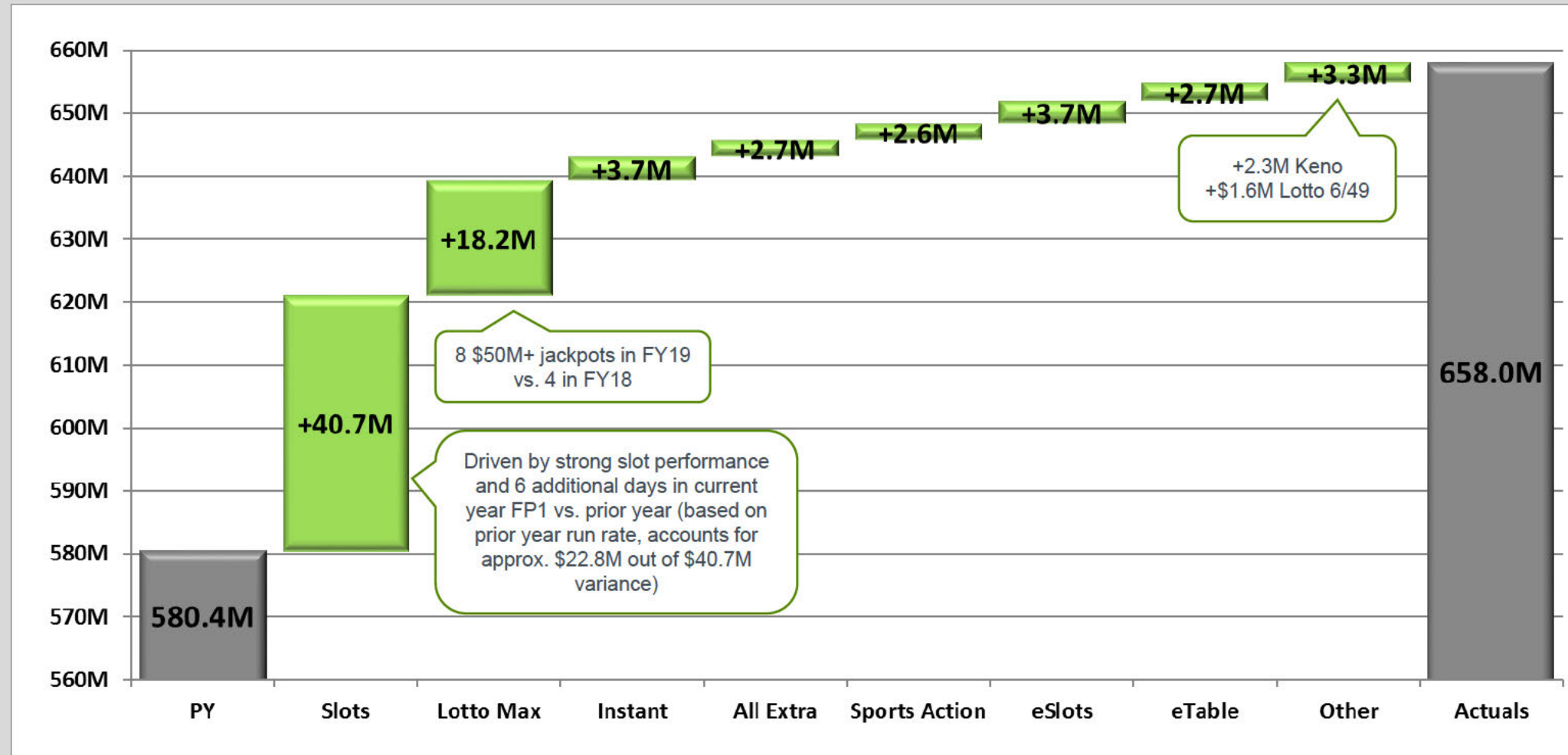


* includes B2B revenue
Lottery Products = Brick and Mortar + online
Some figures may not add due to rounding

Net Win Waterfall – Prior Year vs. Actuals

YTD FP3 FY19

Actual FY19 Net Win* was **\$77.5M HIGHER** vs. Prior Year. Approximately **\$42M** favourability is due to 6 additional days in current year FP1 vs. PY



* includes B2B revenue

Lottery Products = Brick and Mortar + online

Some figures may not add due to rounding



Net Win Actuals – B2C by Channel

YTD FP3 FY19

Actual FY19 Net Win* was **\$655.8M**: 95% generated through B&M and 5% - PlayNow



Tables include Tables and Poker

Lotto includes Lotto Max, 6/49, BC49, Daily Grand, Extras

Social includes KENO, PHEP, BC 50/50, Poker Lotto, Sports Action, and eSports

Instant includes Traditional and National Scratch, Set for Life, and Pull Tabs

■ B&M ■ PlayNow

* excludes B2B revenue

Some figures may not add due to rounding



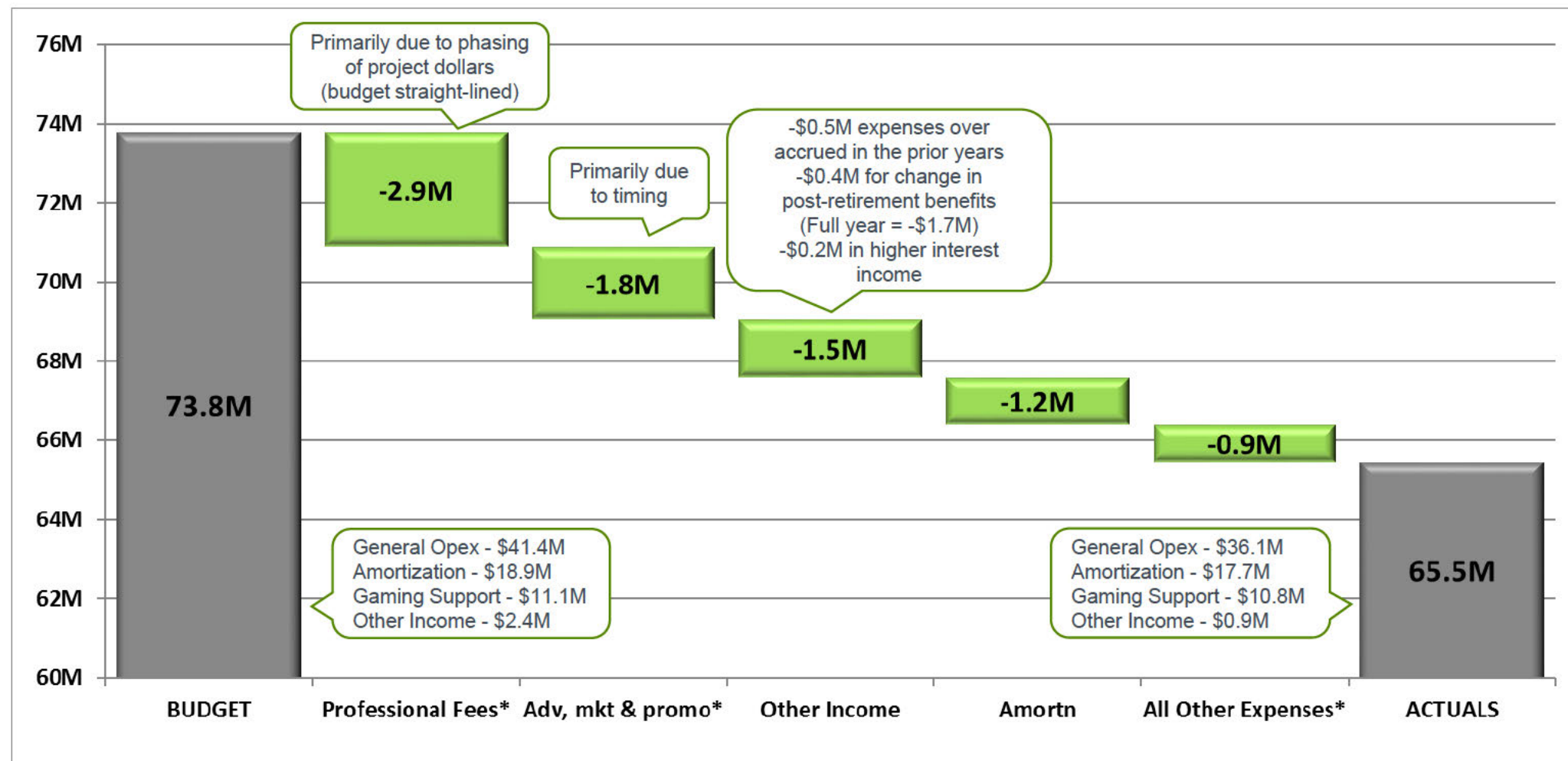
Expenses

Budget Comparison

Expenses by type – Budget vs. Actuals

YTD FP3 FY19

Actual FY19 expenses was **\$8.3M LOWER** vs. Budget



OPEX Variances exceeding +/- \$500K vs. budget are shown above

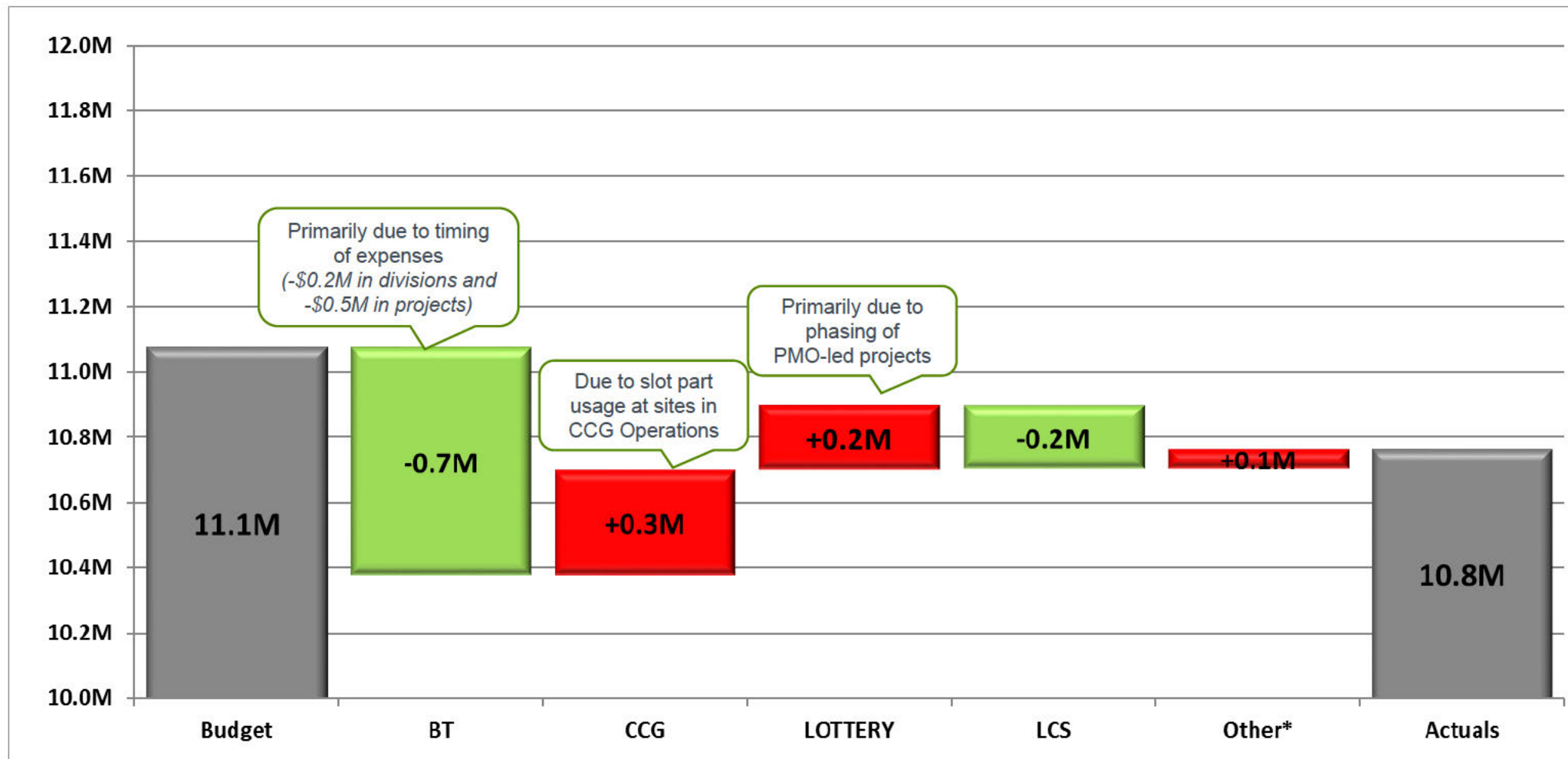
Some figures may not tie due to rounding

* Denotes expenses which are included in General Opex (annual FY19 budget of \$170.2M)



Gaming Support Costs – Budget vs. Actuals

Actual FY19 Gaming Support Costs was **\$0.3M LOWER** vs. Budget

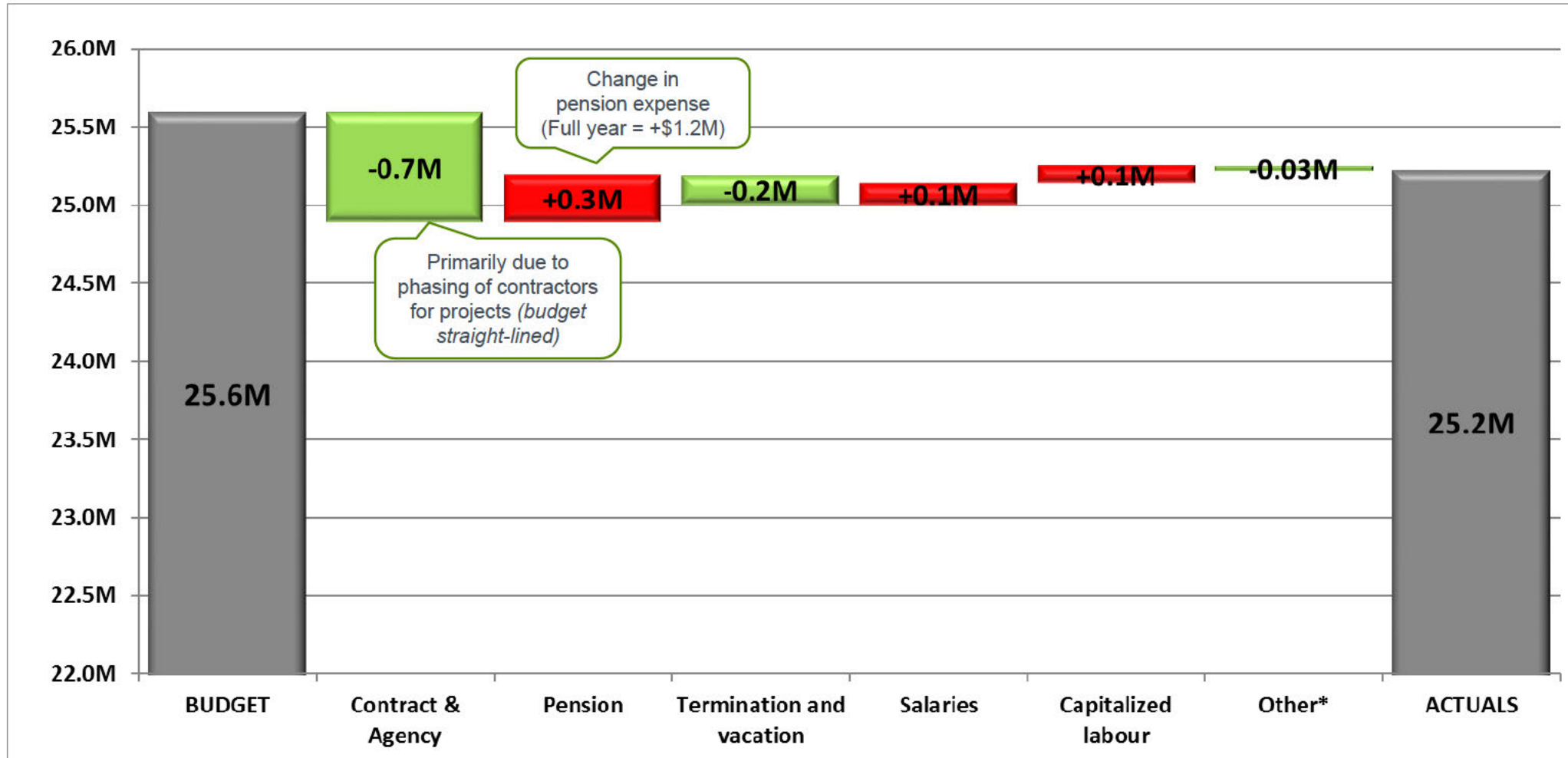


Some figures may not tie due to rounding

*All other divisions that have an immaterial variance to budget (variances +/- \$100K vs. budget)

Salaries and Benefits – Budget vs. Actuals

Actual FY19 Salaries and Benefits was **\$0.4M LOWER** vs. Budget



Some figures may not tie due to rounding

Variances exceeding +/- \$100K vs. budget are shown above, remaining variances net to -\$26K

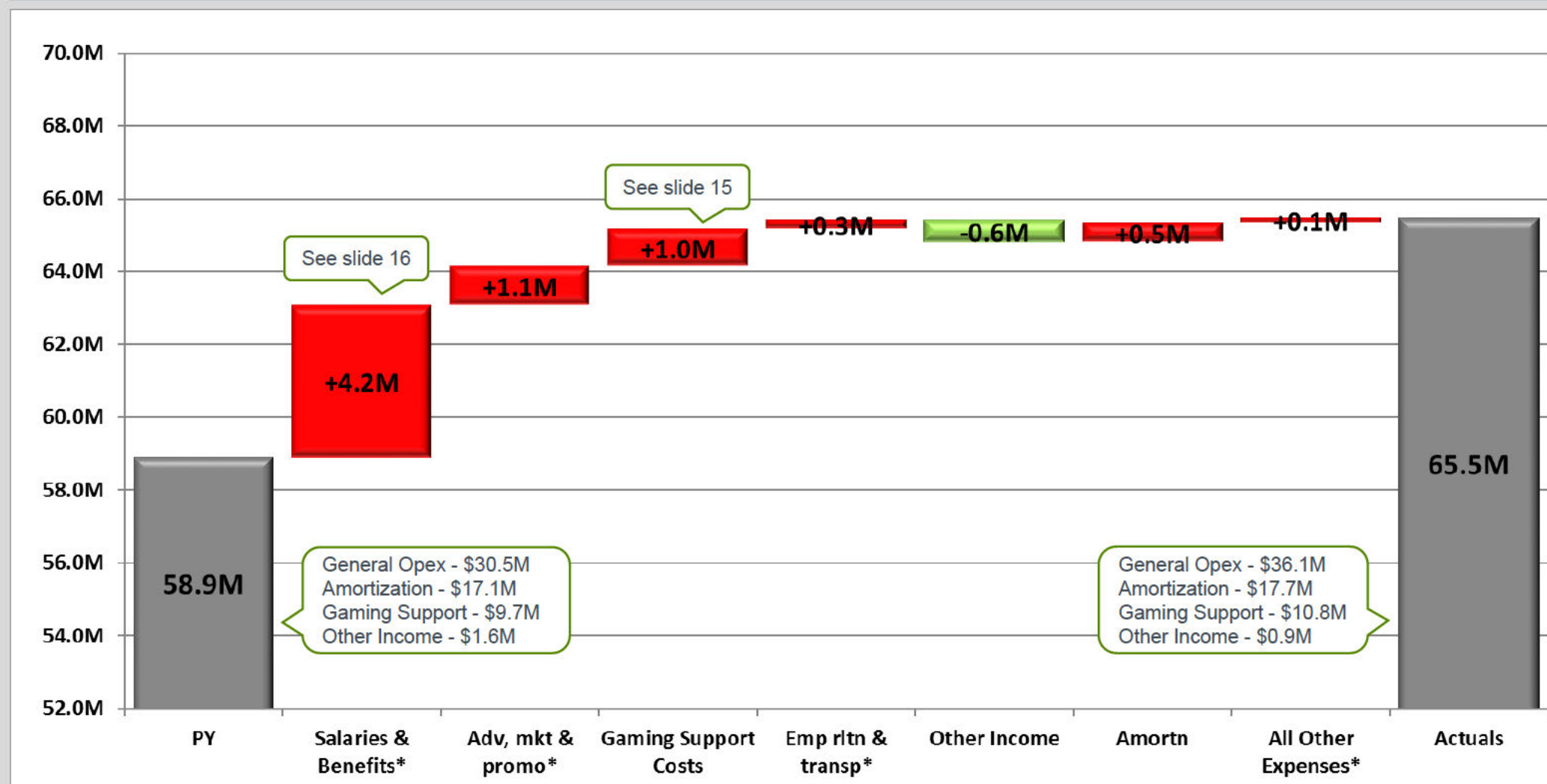
Expenses

Prior Year Comparison

Expenses by type – Prior Year vs. Actuals

YTD FP3 FY19

Actual FY19 expenses was **\$6.6M HIGHER** vs. Prior Year



OPEX Variances exceeding +/- \$200K vs. prior year are shown above

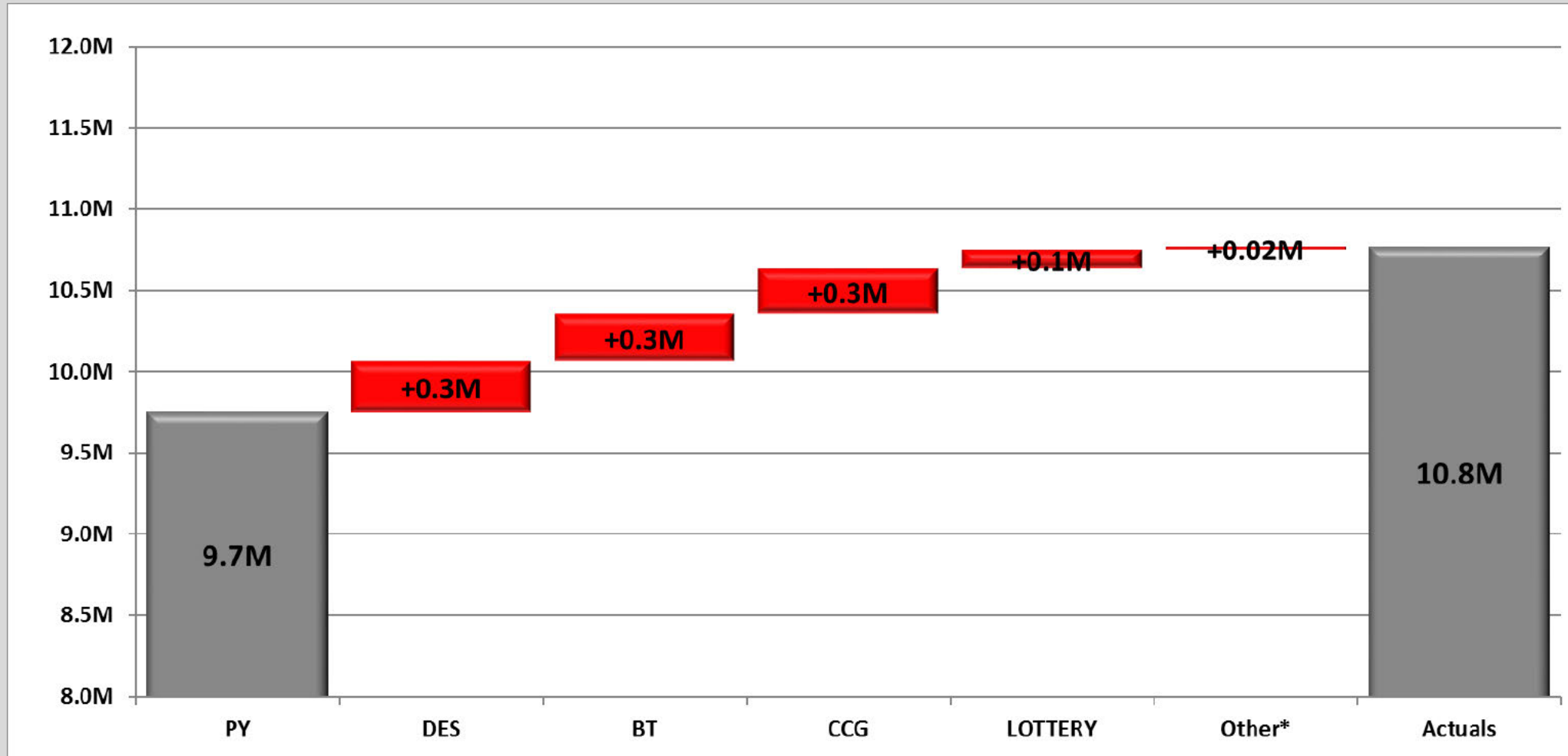
Some figures may not tie due to rounding

* Denotes expenses which are included in General Opex (annual FY19 budget of \$170.2M)



Gaming Support Costs - Prior Year vs. Actuals

Actual FY19 Gaming Support Costs was **\$1.0M HIGHER** vs. Prior Year

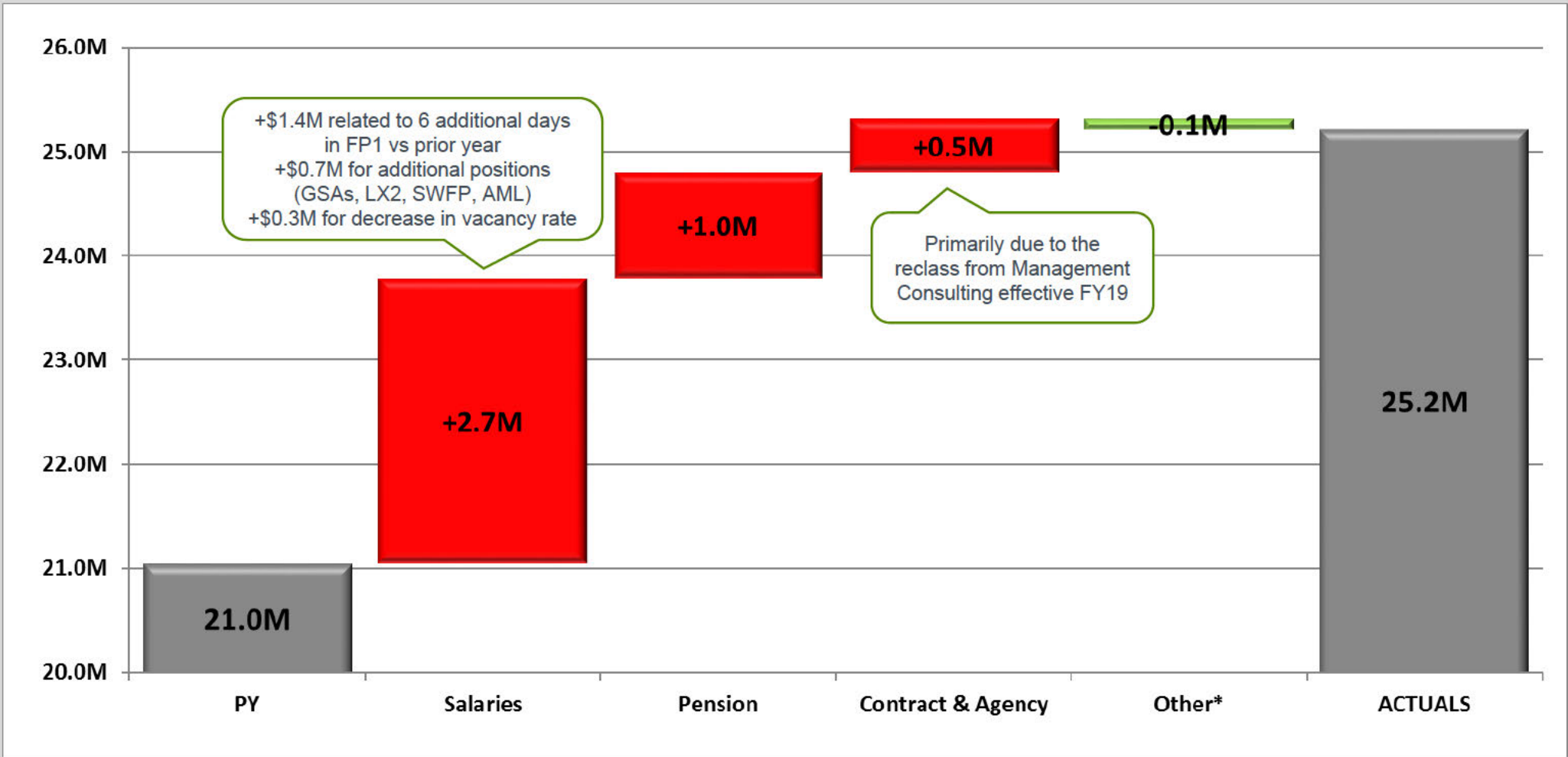


Some figures may not tie due to rounding

Variances exceeding +/- \$200K vs. prior year are shown above, remaining variances net to +\$133K

Salaries and Benefits - Prior Year vs. Actuals

Actual FY19 Salaries and Benefits was **\$4.2M HIGHER** vs. Prior Year



Some figures may not tie due to rounding

Variances exceeding +/- \$200K vs. prior year are shown above, remaining variances net to -\$95K

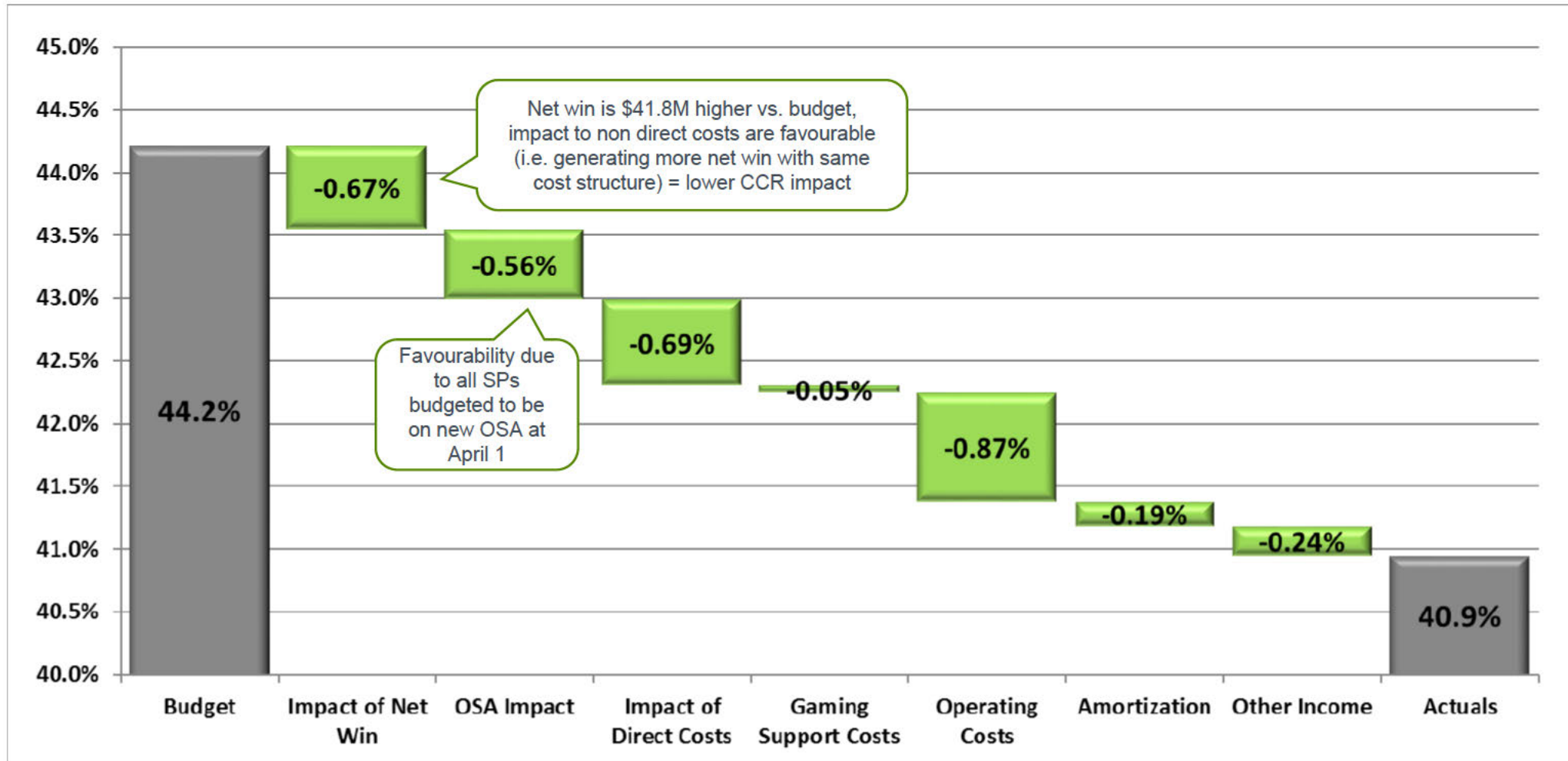


Comprehensive Cost Ratio (CCR)

Budget Comparison

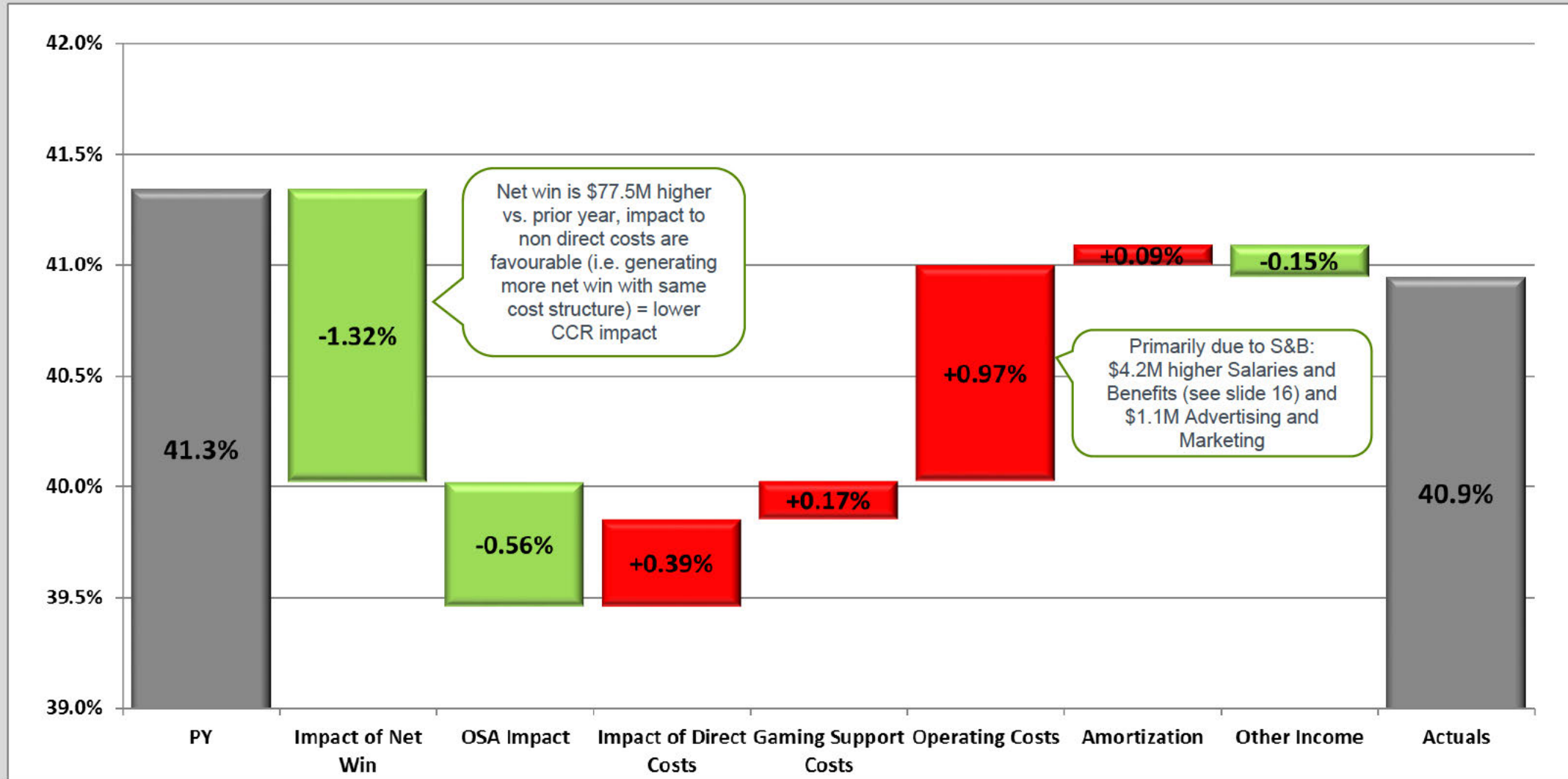
Prior Year Comparison

CCR – Budget vs. Actuals



Some figures may not add due to rounding

CCR – Prior Year vs. Actuals

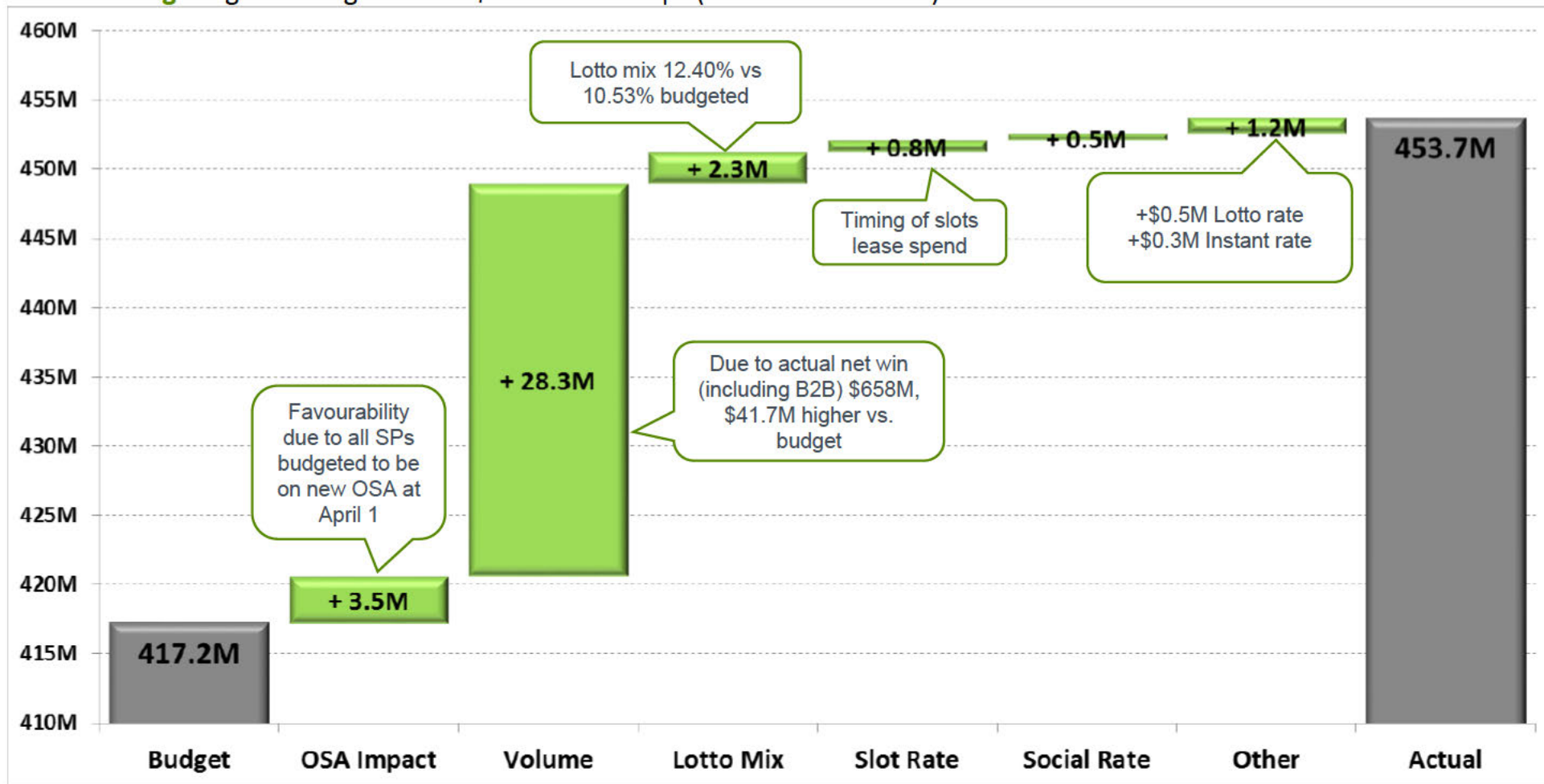


Appendix

Gross Margin

Gross Margin Dollars – Budget vs. Actuals

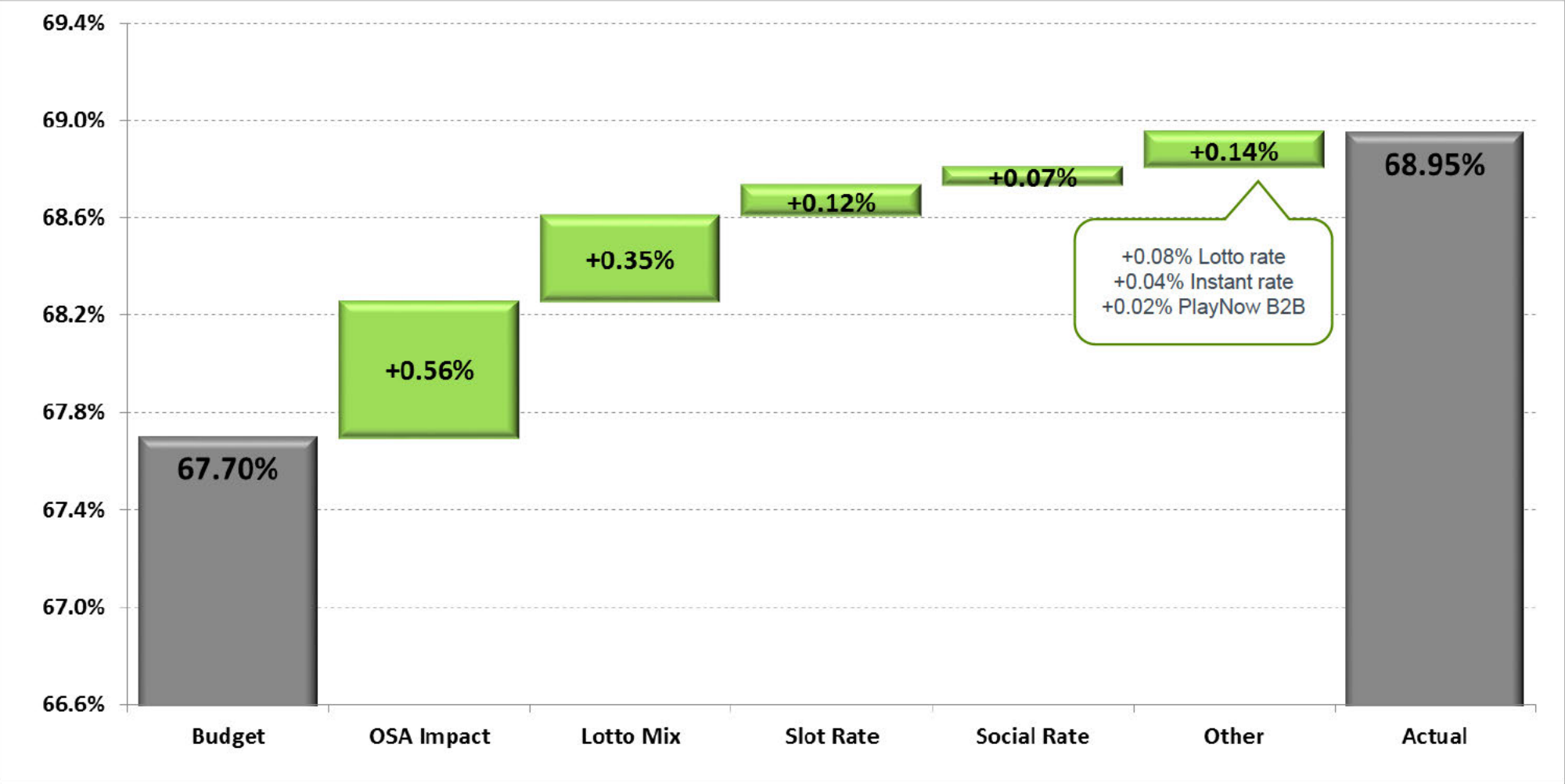
- Gross Margin \$36.5M **higher** vs. budget
- Higher gross margin dollars primarily driven by:
 - Higher** volume of \$28.3M and
 - Higher** gross margin rate of \$8.2M or 125 bps (68.95% vs. 67.70%)



Some figures may not add due to rounding

Gross Margin Rate – Budget vs. Actuals

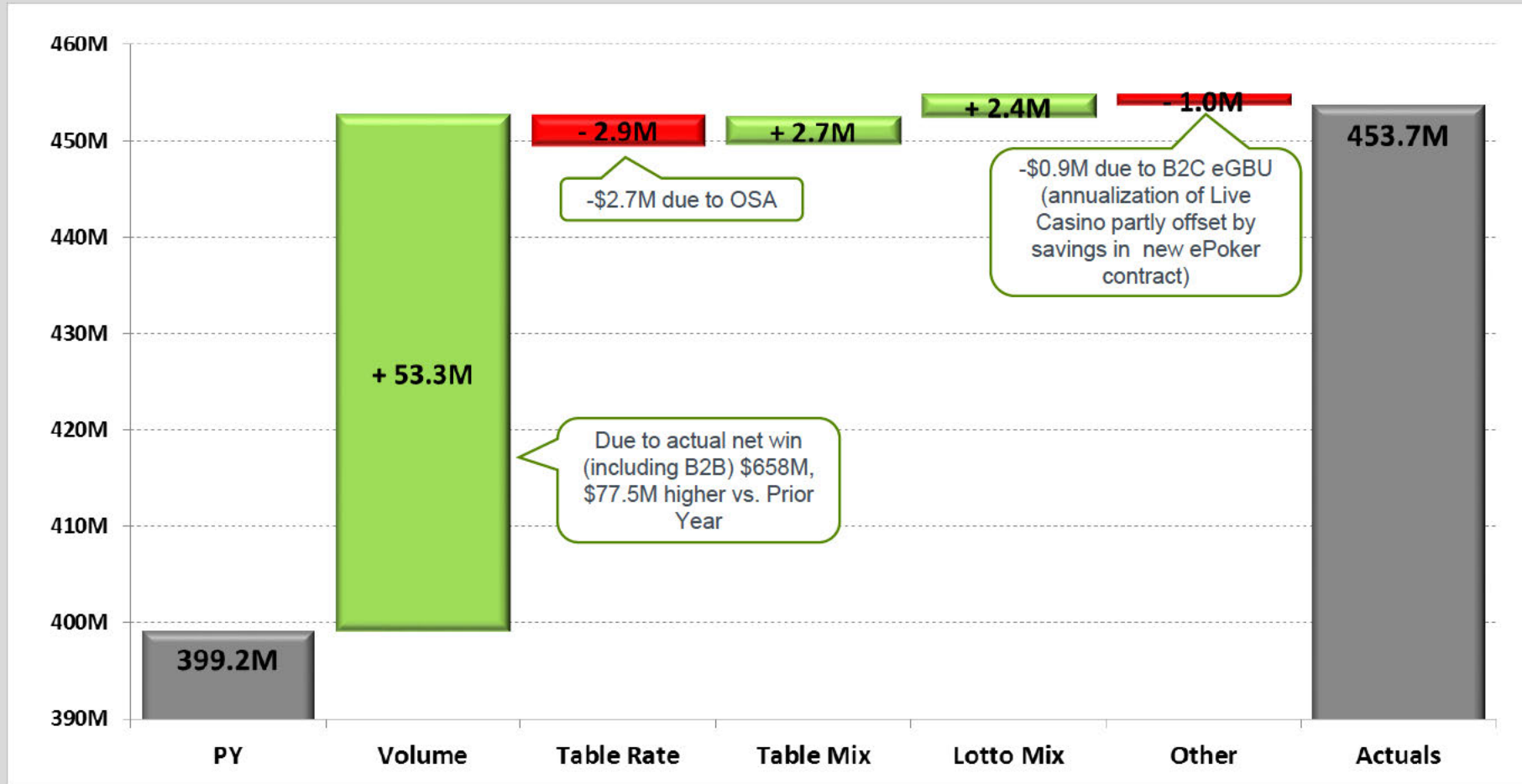
- Gross Margin Rate was **higher** vs. budget by 125 bps (68.95% vs. 67.70%)



Some figures may not add due to rounding

Gross Margin Dollars – Prior Year vs. Actuals

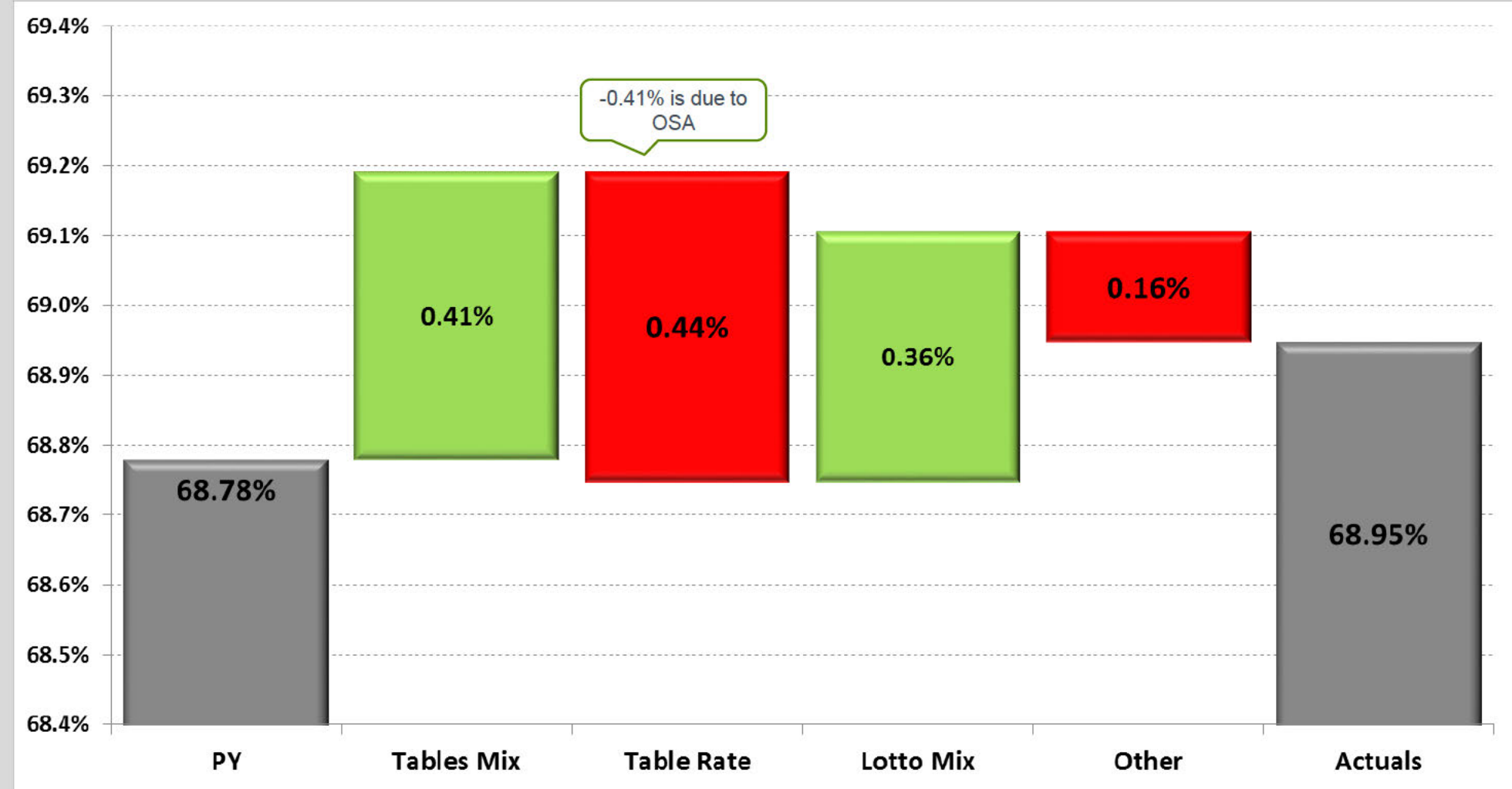
- Gross Margin \$54.4M **higher** vs. prior year actuals
- Higher gross margin dollars primarily driven by:
 - **Higher** volume vs. prior year of \$53.3M and
 - **Higher** gross margin rate \$1.1M or 17 bps (68.95% vs. 68.78%)



Some figures may not add due to rounding

Gross Margin Rate – Prior Year vs. Actuals

- Gross Margin Rate was **Higher** vs. prior year by 17 bps (68.95% vs. 68.78%)



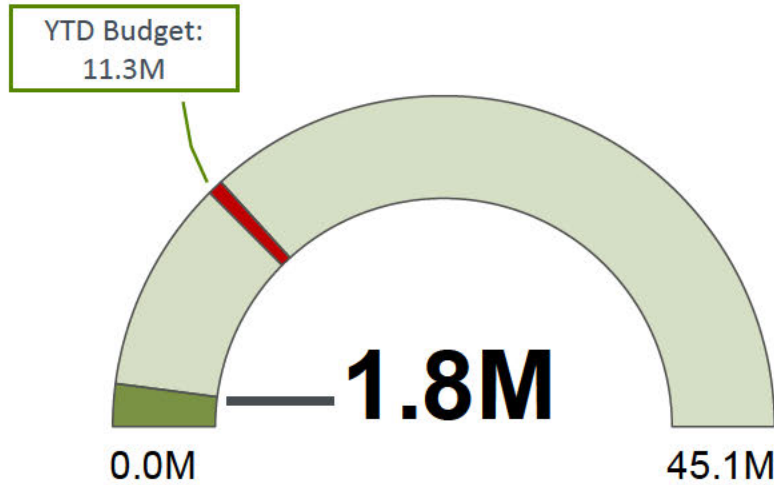
Some figures may not add due to rounding

Project Snapshot

As at FP3 vs. FY19 \$105M Target, on an ANNUAL basis

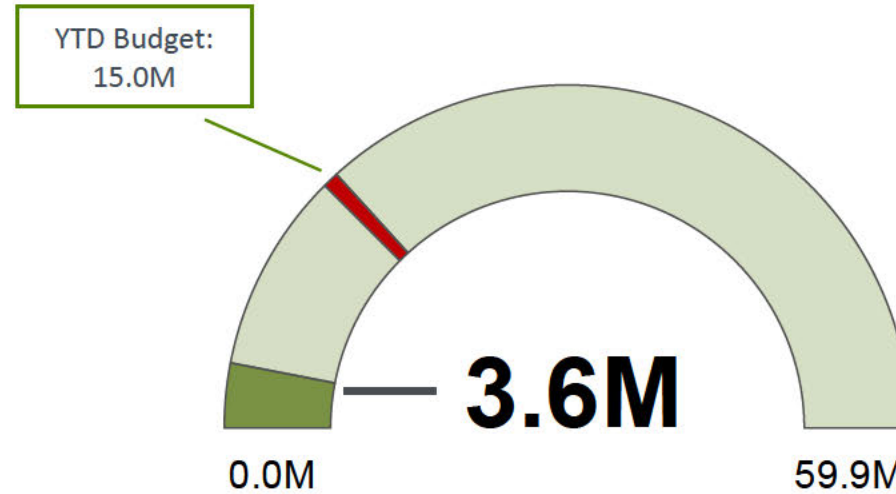
FY19 Capital Target \$105M

YTD FP3 FY19



Evergreen Capital

YTD Variance: -9.4M, -83%



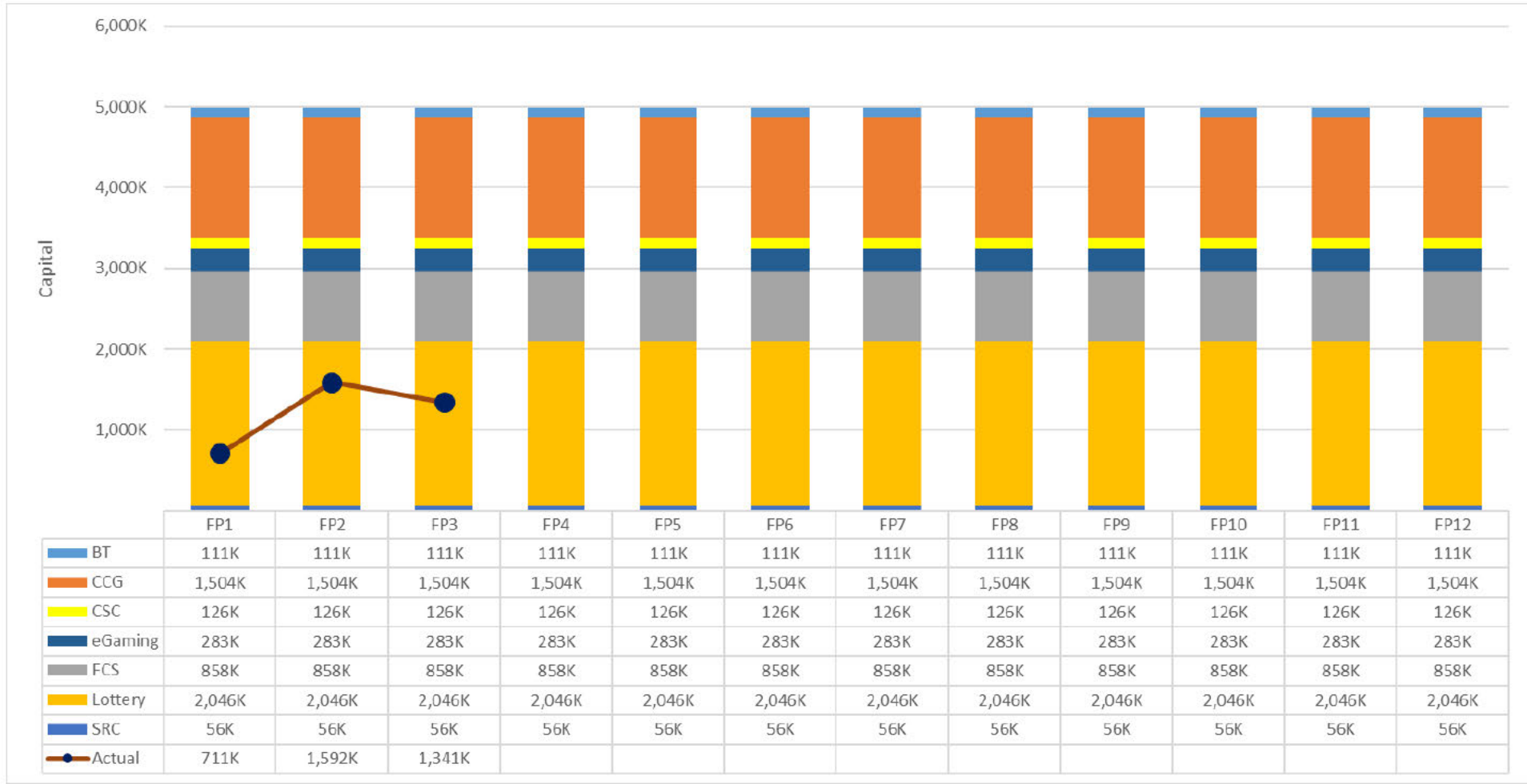
PMO/Div Led

YTD Variance: -11.3M, -76%

- YTD FP3 actuals includes the FY18 \$1.2M reversal of slot purchases double count. The majority of YTD spending has been on Slot Refresh \$2.4M, and BT Evergreen \$0.6M.
- Slot refresh behind in spending due to shipment delays ~\$1.8M and the business' decision to delay some purchases to Q3 ~\$0.5M
- YTD FP3 spend includes: Casino Facility Growth \$1.3M, LogRhythm Enhancement \$0.3M, Terminal Replacement \$0.3M, Lottery Mobile Release 2 \$0.3M and Lotto Express 2.0 – Rollout \$0.2M.

Budget is phased on a straight-line basis

PMO/Div Led: FY19 YTD FP3 Capital – monthly spend vs. budget



Budget is phased on a straight-line basis
Actual YTD average monthly spend of \$1.2M vs a budget of \$5.0M per month



Kevin Simcoe

From: Cynki Taylor
Sent: August-16-18 4:37 PM
To: ALL- Senior Executive
Cc: FCS - FP&A Mgrs; Tom Powell; Tricia Turner; Michelle Webb; Suzanne Rowley; Jen Viau
Subject: FP4 YTD FY19 Reporting Package
Attachments: YTD FP4 FY18 Expenses vs. Forecast (2+10).pptx; YTD FP04 FY19 Reporting Package.pptx

Hi Everyone,

The expense management package (green) is now available and reports expenses vs. 2+10*. Also, please find the monthly reporting package with comparisons to budget (orange) and prior year (grey).

Please note that some figures in the attachments may not add due to rounding only. Should you have any questions or would like any changes, please let me know.

Cynki

** 2+10 does not include any budget related to the Kamloops Property Development (revised per government direction)*

Things to keep in mind when reviewing the monthly package:

- 1) FP1 FY19 has 28 days vs. 22 days last year, **6 additional days in the current year**. This occurred as April 1st landed on a Sunday this year and it was on a Saturday last year. The impact of the additional days are most apparent in net win and salaries and benefits (opex) when reviewing comparisons to prior year.
- 2) The Budget incorporated a new **OSA start date** for all service providers starting April 1st. Gateway was the only Service Provider that signed the OSA effective April 1st. There is favourability vs. budget due to this.
- 3) The **Budget incorporated a decline of \$60M in Tables Net Win** due to potential implementation of cash restrictions in CCG facilities. In the latest forecast (May TBS), this decline assumption was removed. For ease of reference, the reporting package has called out this budget item separately.

Commentary vs. Budget

Net income was \$474.0M vs. budget of \$426.8M, **\$47.2M (11.1%) higher** than budget. This is primarily driven by the following –

- 1) GM was \$37.5M (6.9%) higher than budget broken down by:
 - i. \$27.9M volume; higher net win primarily driven by a decline assumption in budgeted table net win due to implementing cash restrictions in casinos, Lotto Max (10 \$50M+ jackpots in FY19 over 17 weeks), Slots, Instant category, Extras, and eSlots offset by 'normalized' Tables.
 - ii. \$6.0M higher GM rate (primarily due to favourable lotto mix and casino rate due to timing of tables supplies & slots lease spend)
 - iii. \$3.6M favorability due to all SPs budgeted to be on new OSA at April 1st.

- 2) Operating expenses were \$6.0M (11.1%) lower than budget (primarily due to \$3.6M Professional Fees, \$2.1M Advertising & Marketing, \$0.4M Salaries & Benefits). Gaming Support Costs were \$0.4M (2.7%) under budget.

Commentary vs. Prior Year

Net income was \$474.0M vs. prior year of \$428.5M, **\$45.5M (10.6%) higher** than prior year. This is primarily driven by the following –

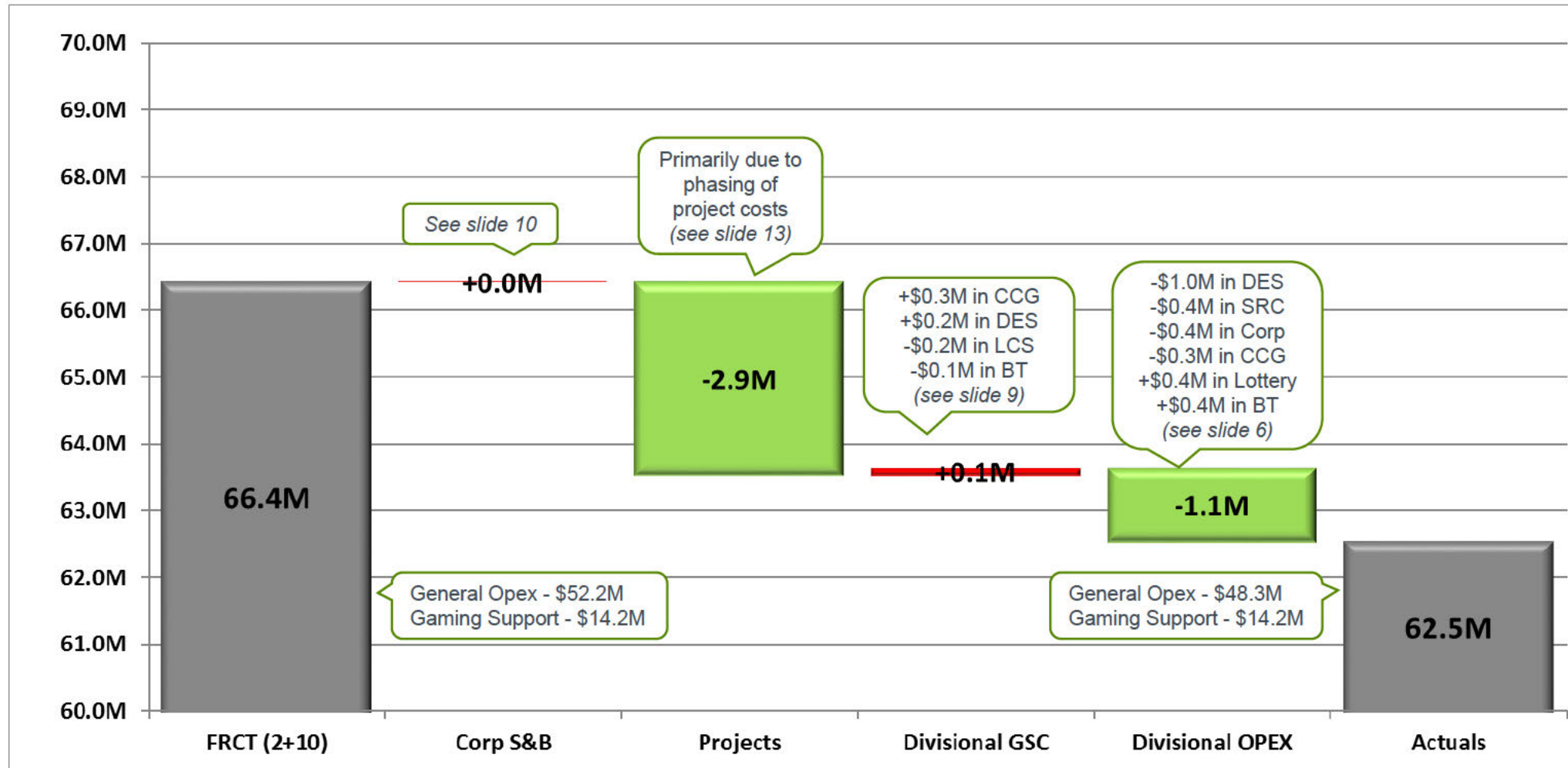
- 1) GM was \$56.2M (10.7%) higher than prior year broken down by:
 - i. \$56.8M higher volume primarily driven by 6 more days in current year FP1 vs prior year. Higher net win primarily driven by Slots, Lotto Max (10 \$50M+ jackpots in FY19 vs. 4 in FY18), eSlots, Instant category, Extras, and Live Dealer.
 - ii. \$0.6M lower GM rate (primarily due to tables and lotto mix, partly offset by higher commission rates under the new OSA.
- 2) Overall operating expenses were \$6.9M (16.5%) higher vs. prior year (primarily due to \$5.2M Salaries & Benefits and \$1.6M Advertising & Marketing). Gaming Support Costs were \$1.1M (8.3%) higher vs. prior year.

YTD FP4 FY19 Expenses vs. Forecast (2+10)

Sent to Execs August 16, 2018

YTD Forecast (2+10) vs. Actuals – GSC & Opex

GSC and Operating Expenses was **\$3.9M LOWER** vs. (2+10) Forecast



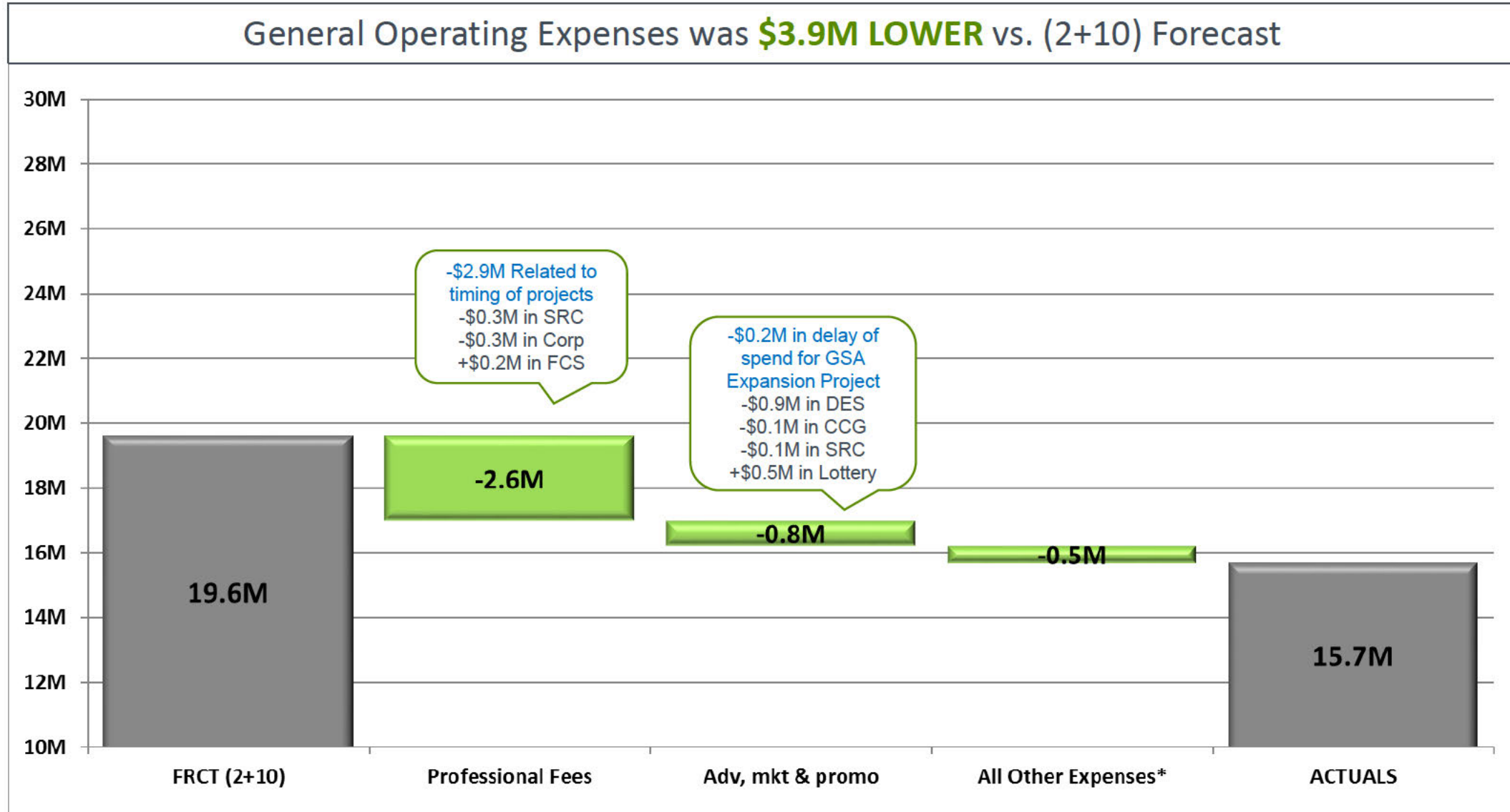
Some figures may not tie due to rounding.

General Operating Expenses

(excludes Corp S&B and Gaming Support)

Forecast Comparison

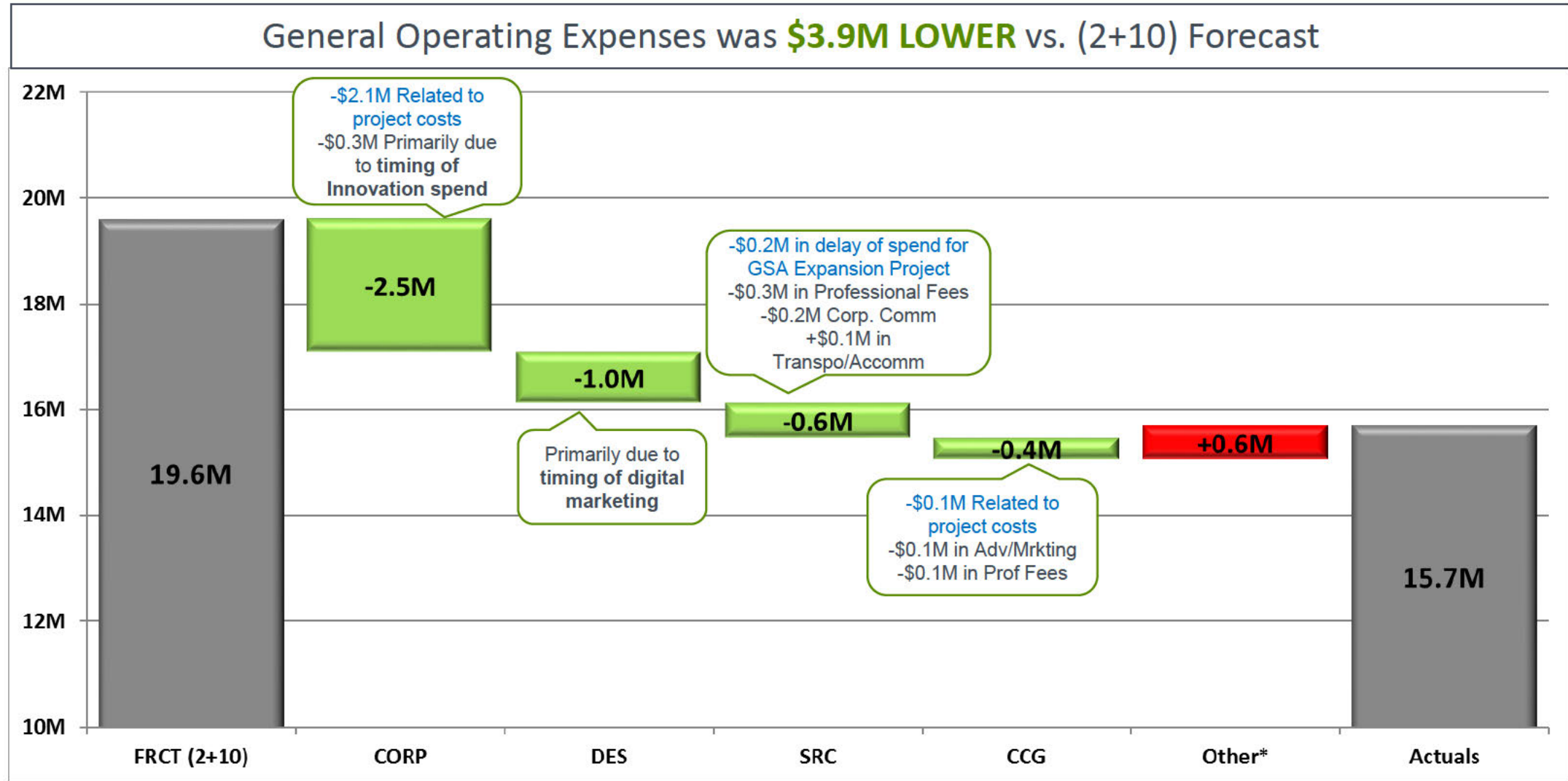
Opex by type – Forecast (2+10) vs. Actuals (incl. projects)



* Variances exceeding +/- \$400K vs. forecast are shown above

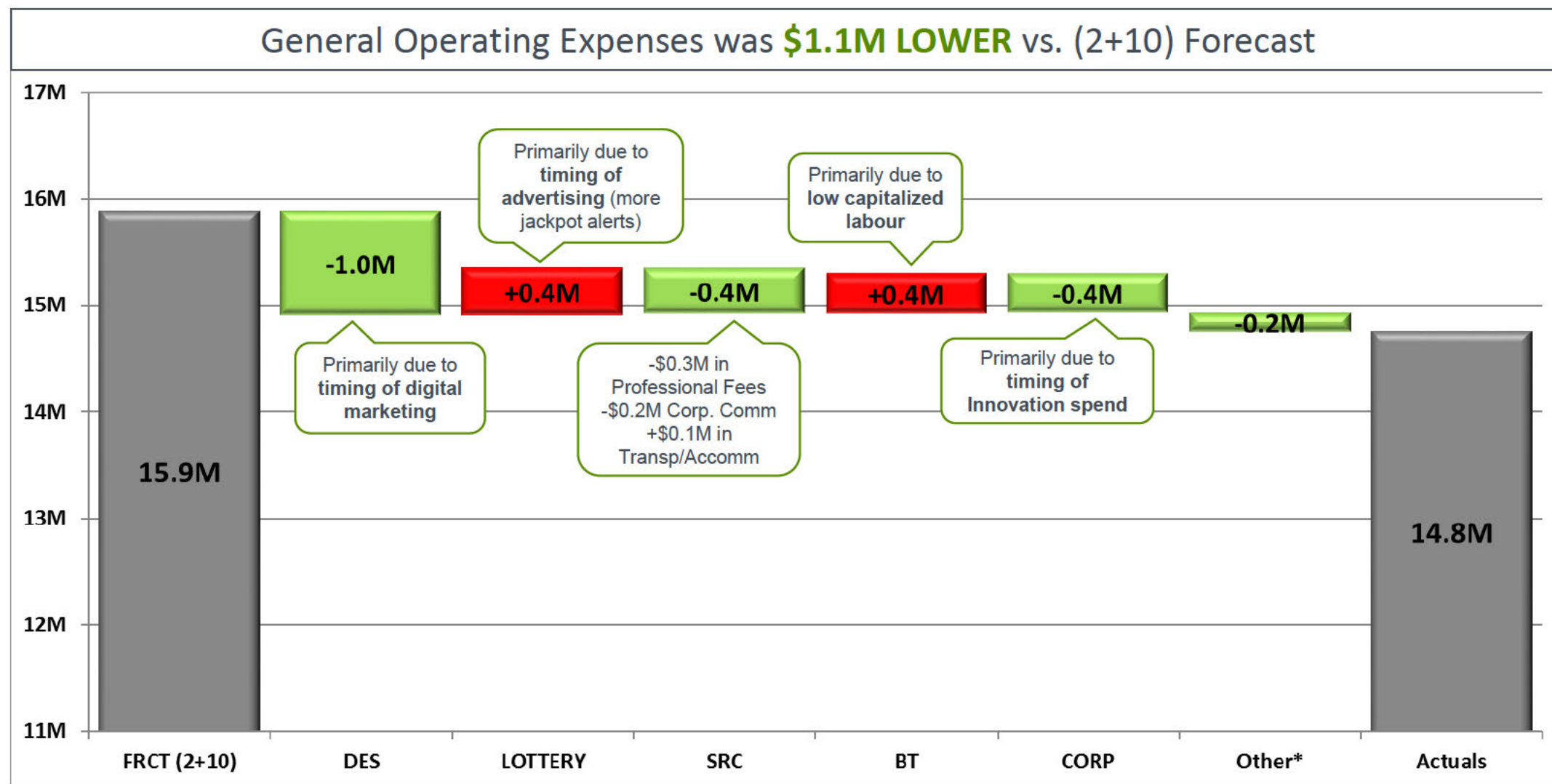
Some figures may not tie due to rounding.

Opex by Division (includes projects)



* Variances exceeding +/- \$300K vs. forecast are shown above
Some figures may not tie due to rounding.

Opex by Division (excludes projects)



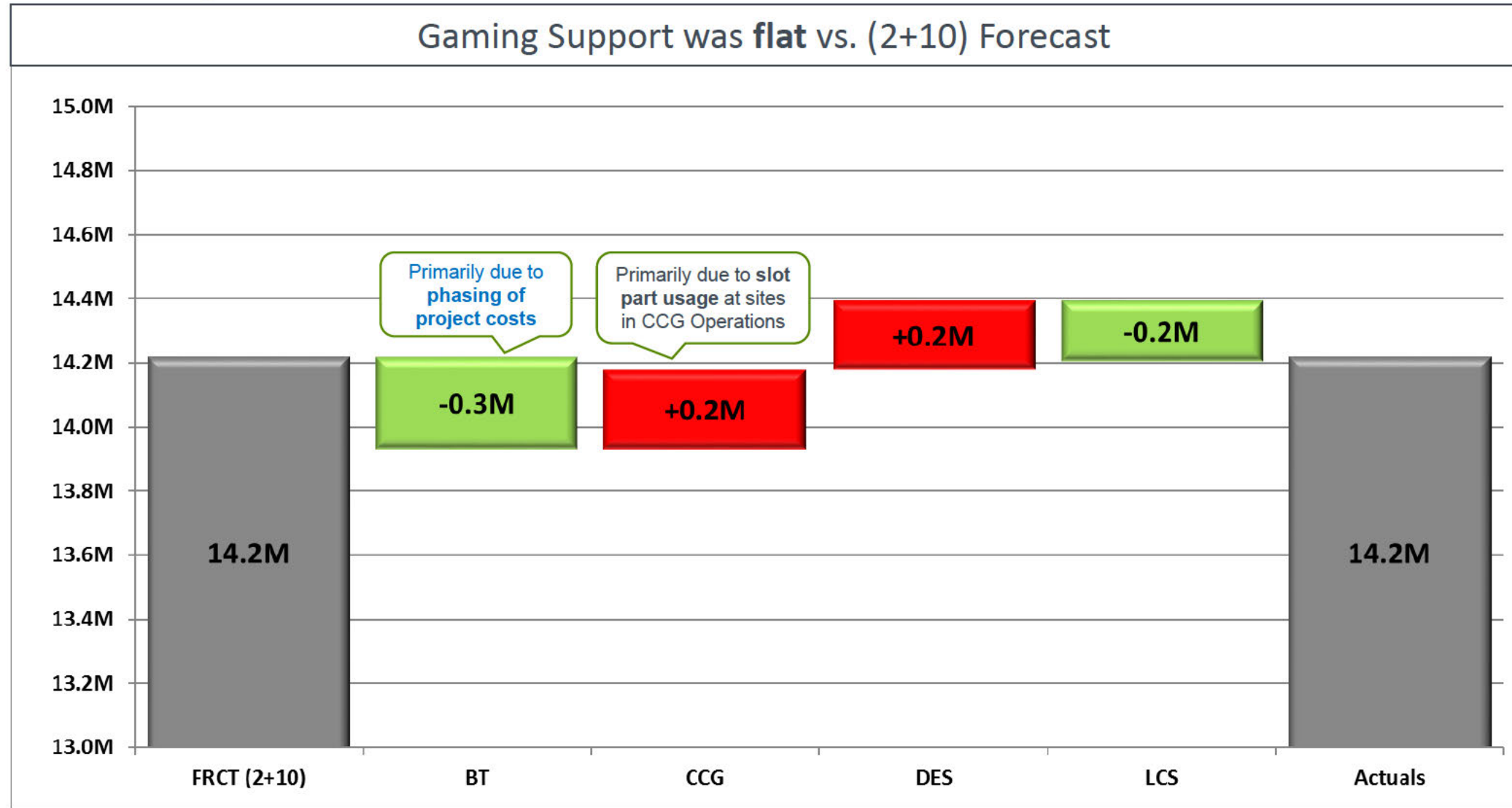
* Variances exceeding +/- \$300K vs. forecast are shown above

Some figures may not tie due to rounding.

Gaming Support Costs

Forecast Comparison

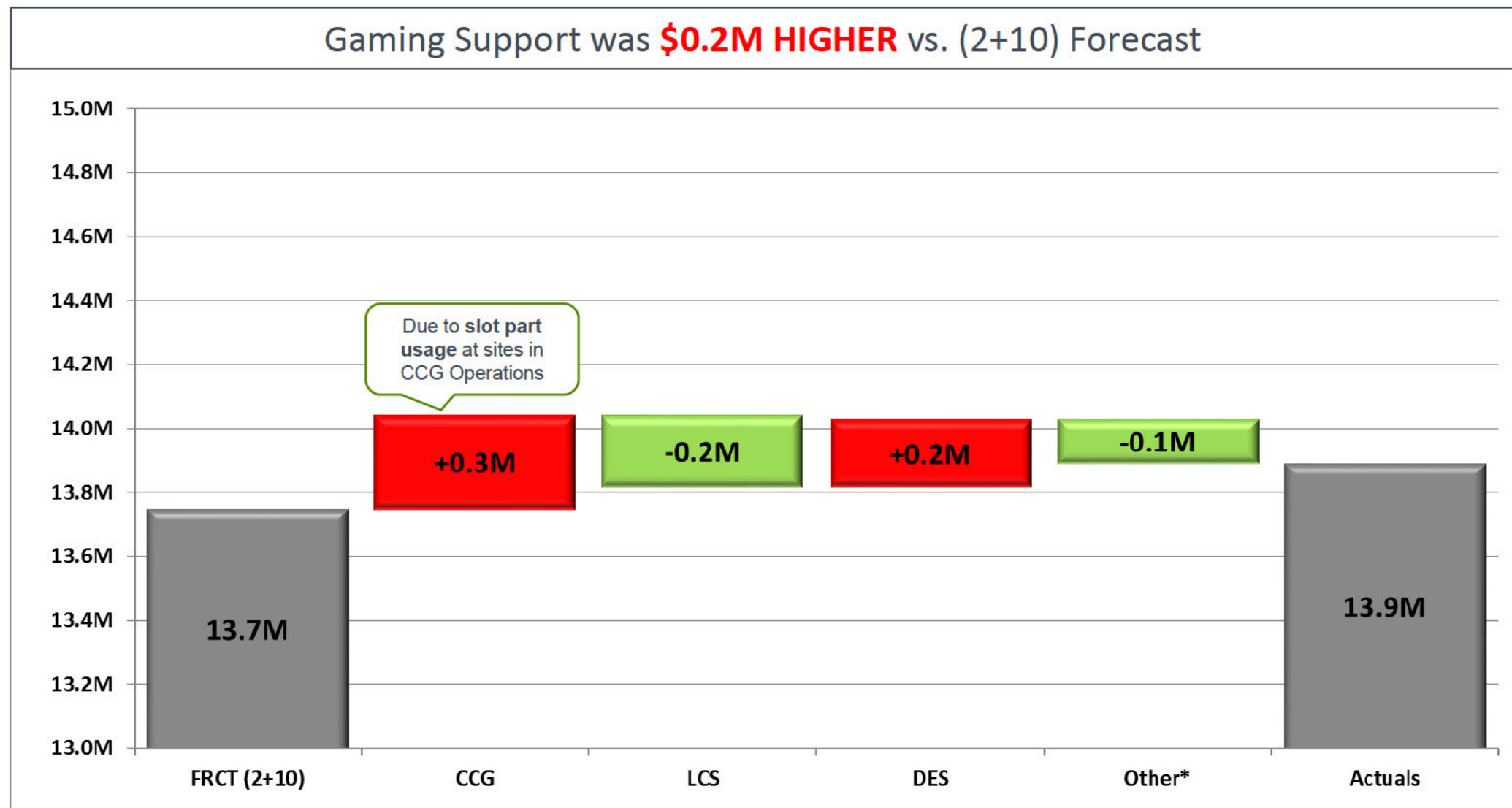
GSC by Division (includes projects)



* Variances exceeding +/- \$150K vs. forecast are shown above, remaining variance nets to +\$13K

Some figures may not tie due to rounding.

GSC by Division (excludes projects)



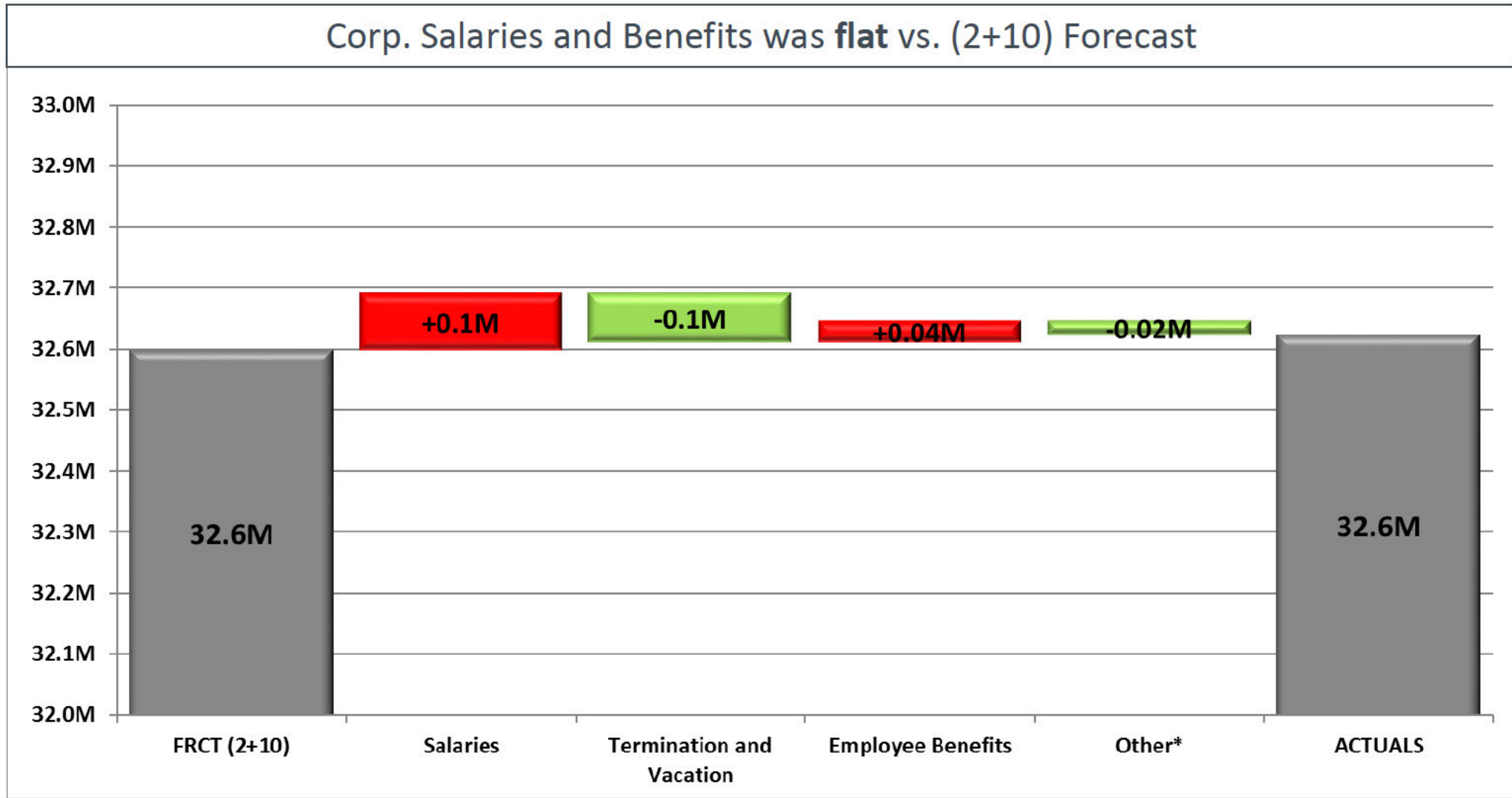
* Variances exceeding +/- \$200K vs. forecast are shown above

Some figures may not tie due to rounding.

Salaries and Benefits

Forecast Comparison

Salaries and Benefits - Frct (2+10) vs. Actuals



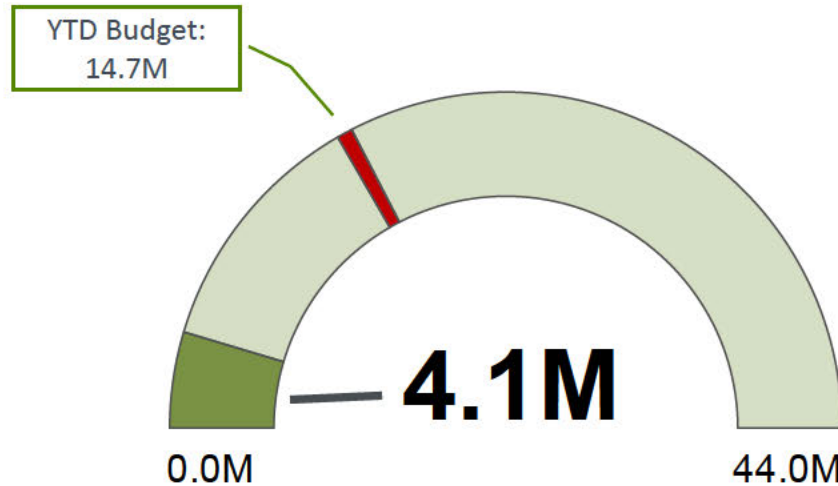
*Variances exceeding +/- \$30K vs. forecast are shown above, remaining variance nets to -\$24K
Some figures may not tie due to rounding.

Project Snapshot

As at FP4 vs. 2+10 Forecast, on an ANNUAL basis

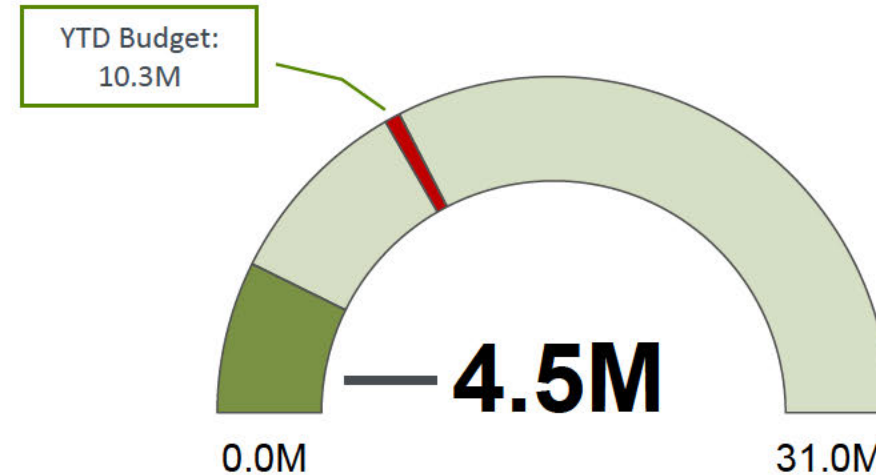
FY19 Capital 2+10 Forecast \$75.0M (approved projects)

\$105M Capital Limit



Evergreen Capital

YTD Variance: -10.6M, -72%



PMO/Div Led

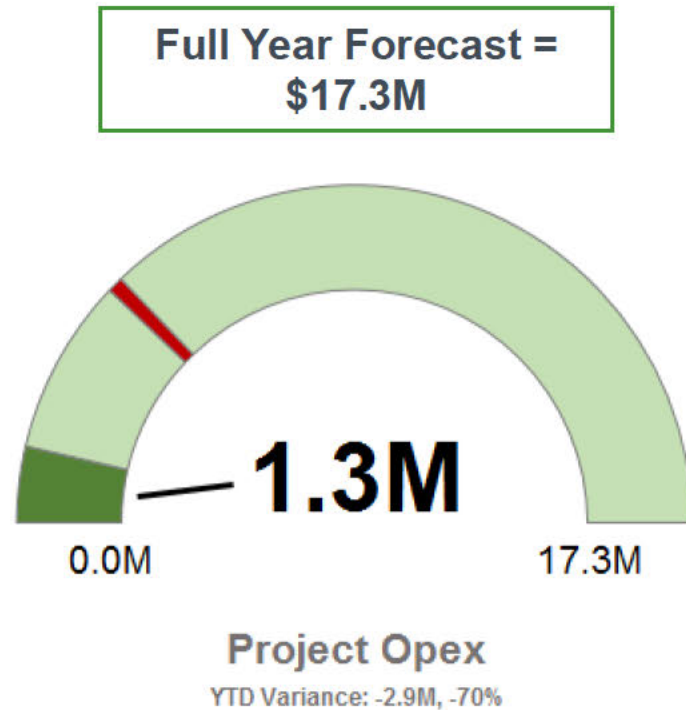
YTD Variance: -5.8M, -56%

- YTD FP4 actuals includes the FY18 \$1.2M reversal of slot purchases double count. The majority of YTD spending has been on Slot Refresh \$3.2M, and BT Evergreen \$0.8M.
- Slot refresh behind in spending due to shipment delays.
- YTD FP4 spend includes:
 - Casino Facility Growth - \$1.2M
 - Casino Loyalty Kiosk - \$0.6M
 - Lottery Mobile Release 2 - \$0.5M
 - Lottery Draw Machine Replacement - \$0.4M
 - LogRhythm Enhancement - \$0.3M
 - IGT Connect Poker - \$0.3M
 - Lotto Express 2.0 Rollout - \$0.3M

2+10 Forecast \$86.4M = \$75.0M Approved Projects + \$11.4M in Placeholders

FY19 2+10 Project Opex Forecast \$17.3M*

Project Opex (including GSC) was **\$2.9M LOWER** vs. (2+10) Forecast



- Full year variance is **-\$2.9M** vs 2+10 forecast (per SAP), primarily due to **phasing of project costs**.
- YTD FP4 spend includes:
 - Lotto Max Enhancement - \$0.2M
 - Lottery Draw Machine Replacement - \$0.1M
 - HRMS - \$0.1M
 - Digital Footprint - \$0.1M
 - Loyalty API – R1, R2 - \$0.1M
 - Data Centre Evergreen - \$0.1M
 - CRM - \$0.1M

Appendix:
General Operating Expenses
excludes Gaming Support Costs

Opex by Division – Frct (2+10) vs. Actuals

General Operating Expenses* was **\$3.9M LOWER** vs. (2+10) Forecast

Division	YTD			
	Actuals	Forecast	Var \$	Var %
BUSINESS TECHNOLOGY	8,415,921	8,130,061	285,860	4%
CASINO AND COMMUNITY GAMING	7,656,139	7,747,339	(91,200)	-1%
CORPORATE	1,626,376	4,124,870	(2,498,494)	-61%
DIGITAL & ENTERPRISE SERVICES	5,505,380	6,253,695	(748,315)	-12%
FINANCE & CORPORATE SERVICES	6,864,101	6,908,038	(43,937)	-1%
HUMAN RESOURCES	1,734,145	1,798,351	(64,206)	-4%
LEGAL, COMPLIANCE, SECURITY (LCS)	4,404,619	4,288,922	115,697	3%
LOTTERY	7,815,947	7,667,435	148,512	2%
SOCIAL RESPONSIBILITY AND COMMUNICATIONS	4,287,730	5,278,857	(991,127)	-19%
Grand Total	48,310,358	52,197,568	(3,887,210)	-7%

Breakdown				
Divisional Operating Costs (see Slide 17)	14,752,823	15,885,992	(1,133,169)	-7%
Projects (see Slide 18)	935,110	3,714,237	(2,779,127)	-75%
Corporate S&B	32,622,425	32,597,339	25,086	0%
Grand Total	48,310,358	52,197,568	(3,887,210)	-7%

* Includes all Salaries & Benefits, divisional and project costs

Opex by Division – Frct (2+10) vs. Actuals

EXCLUDING projects and corporate S&B
 Divisional General Operating Expenses* was **\$1.1M LOWER** vs. (2+10) Forecast

Division	YTD			
	Actuals	Forecast	Var \$	Var %
BUSINESS TECHNOLOGY	1,180,956	797,496	383,460	48%
CASINO AND COMMUNITY GAMING	1,158,769	1,438,321	(279,552)	-19%
CORPORATE	391,732	761,457	(369,725)	-49%
DIGITAL & ENTERPRISE SERVICES	2,165,278	3,145,486	(980,208)	-31%
FINANCE & CORPORATE SERVICES	2,931,852	2,965,334	(33,482)	-1%
HUMAN RESOURCES	482,670	483,117	(447)	0%
LEGAL, COMPLIANCE, SECURITY (LCS)	1,342,402	1,207,852	134,550	11%
LOTTERY	3,811,102	3,364,189	446,913	13%
SOCIAL RESPONSIBILITY AND COMMUNICATIONS	1,288,062	1,722,740	(434,678)	-25%
Grand Total	14,752,823	15,885,992	(1,133,169)	-7%

* Divisional costs only (excludes projects and corporate Salaries & Benefits, but includes capitalized labour, overtime and contract & agency placements)

Project Opex by Division – Frct (2+10) vs. Actuals

Project Costs ONLY

General Operating Expenses was **\$2.8M LOWER** vs. (2+10) Forecast

Division	YTD			
	Actuals	Forecast	Var \$	Var %
BUSINESS TECHNOLOGY	2,783	91,255	(88,472)	-97%
CASINO AND COMMUNITY GAMING	138,276	271,018	(132,742)	-49%
CORPORATE	-	2,132,904	(2,132,904)	-100%
DIGITAL & ENTERPRISE SERVICES	196,403	197,689	(1,286)	-1%
FINANCE & CORPORATE SERVICES	11,415	13,774	(2,359)	-17%
HUMAN RESOURCES	140,865	140,864	1	0%
LEGAL, COMPLIANCE, SECURITY (LCS)	678	-	678	
LOTTERY	403,082	611,256	(208,174)	-34%
SOCIAL RESPONSIBILITY AND COMMUNICATIONS	41,608	255,477	(213,869)	-84%
Grand Total	935,110	3,714,237	(2,779,127)	-75%

Appendix: Capital

PMO/Div Led: FY19 YTD FP4 Capital – monthly spend vs. forecast

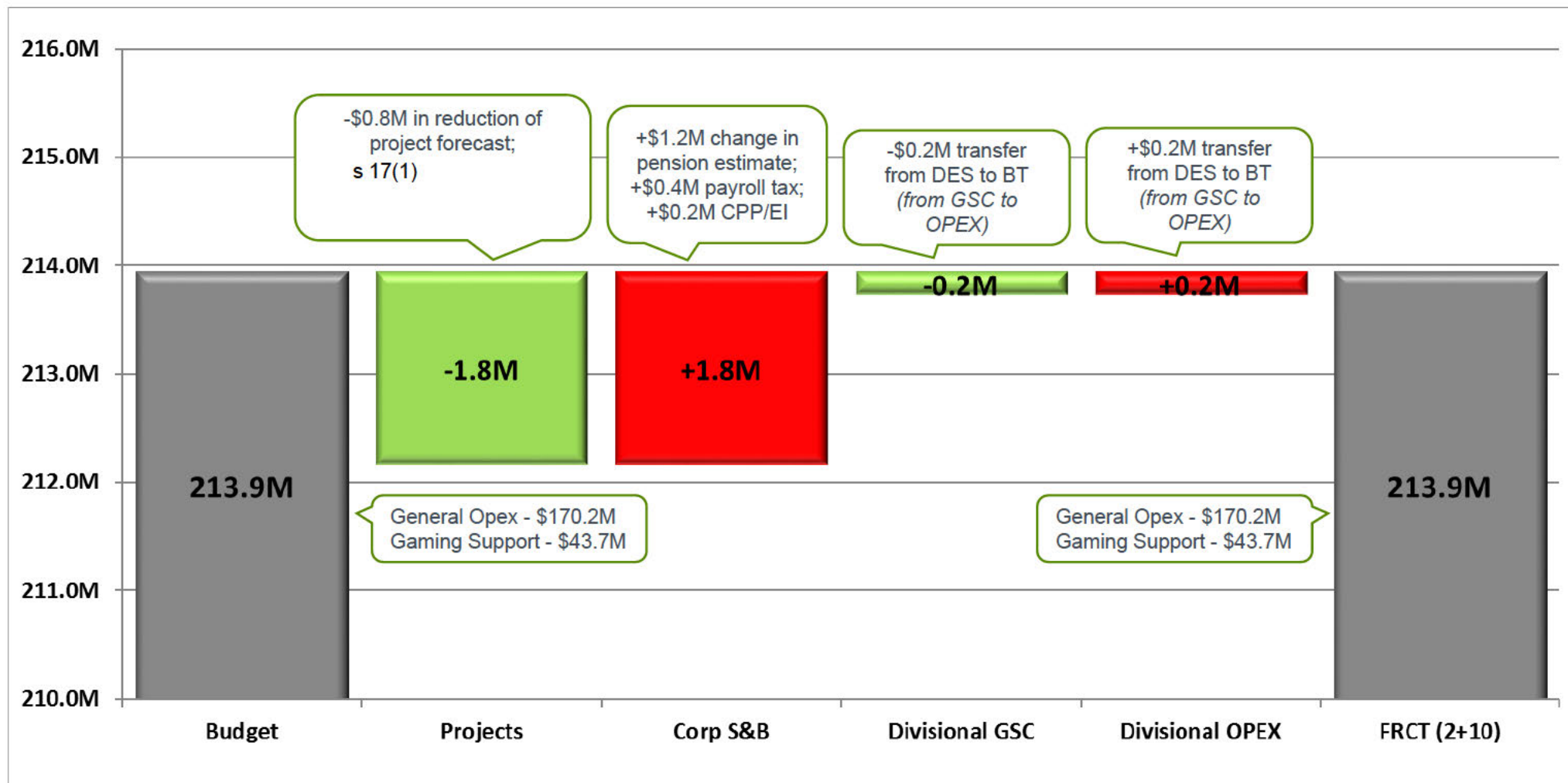


Phasing is based on the quarterly 2+10 Forecast submitted by the Business

Appendix: Annual Budget vs 2+10 Forecast

Annual Budget vs. 2+10 Forecast Waterfall

Total 2+10 Forecast GSC and Operating Expenses **was flat** vs. Budget



For Reference

YTD FP4
FY19

YTD FP4 FY19 Financial Review

Sent to Execs Aug 16, 2018



Net Income

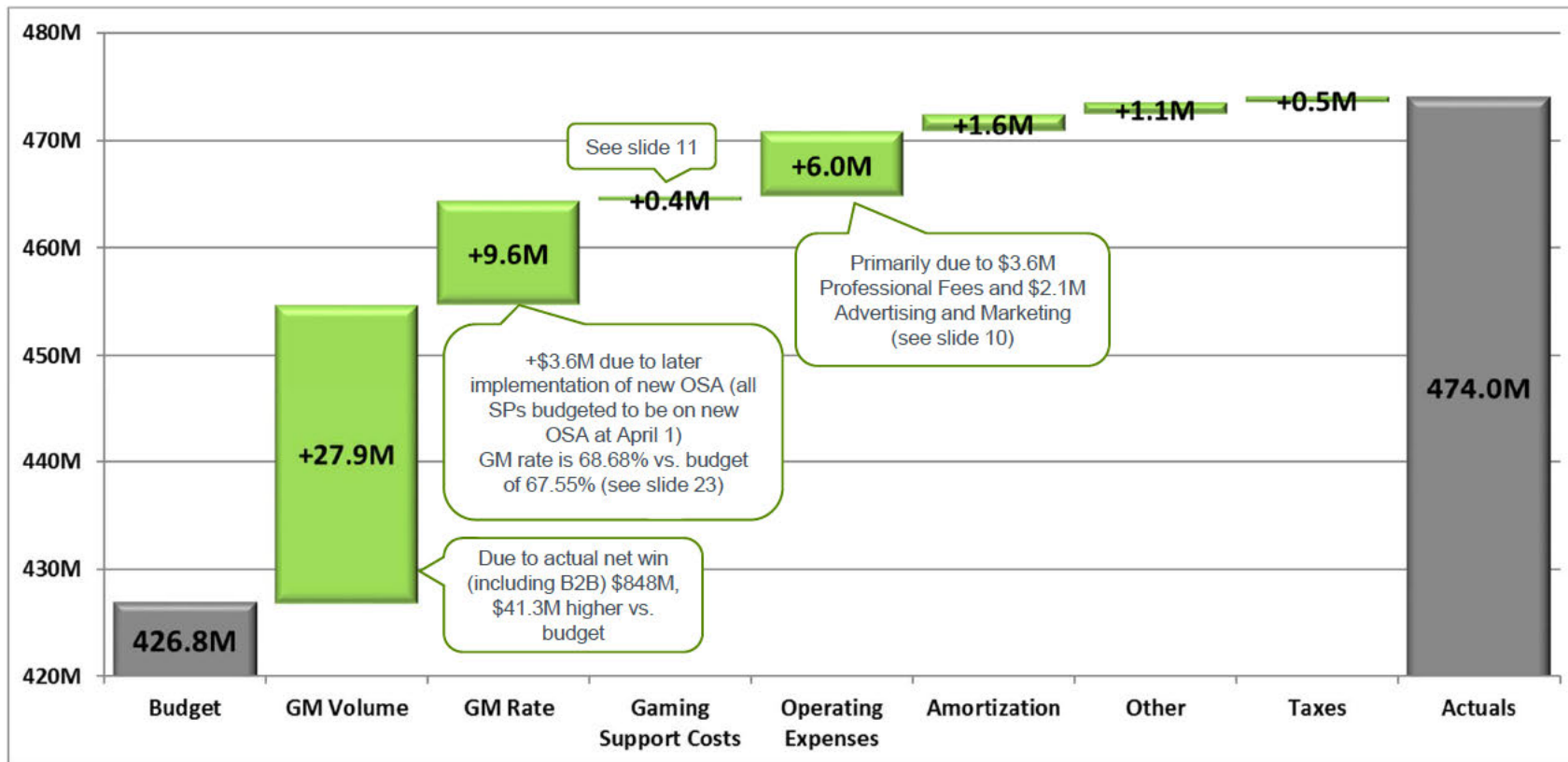
Budget Comparison

Prior Year Comparison

Net Income Waterfall – Budget vs. Actuals

YTD FP4
FY19

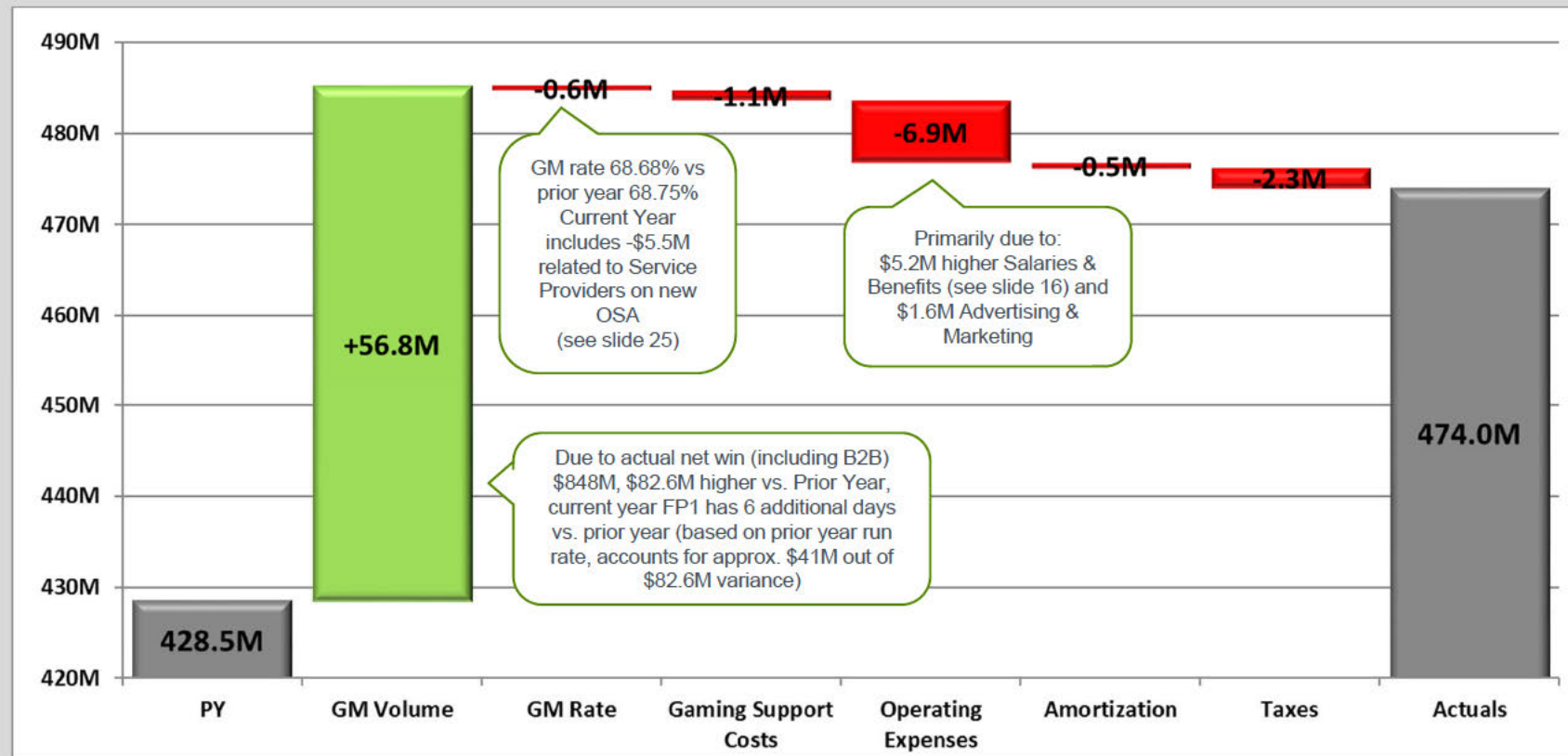
Actual FY19 Net Income was **\$47.2M HIGHER** vs. Budget



Some figures may not add due to rounding

Net Income Waterfall – Prior Year vs. Actuals

Actual FY19 Net Income was **\$45.5M HIGHER** vs. Prior Year



Some figures may not add due to rounding
*Includes Other Income and Special Operating Costs

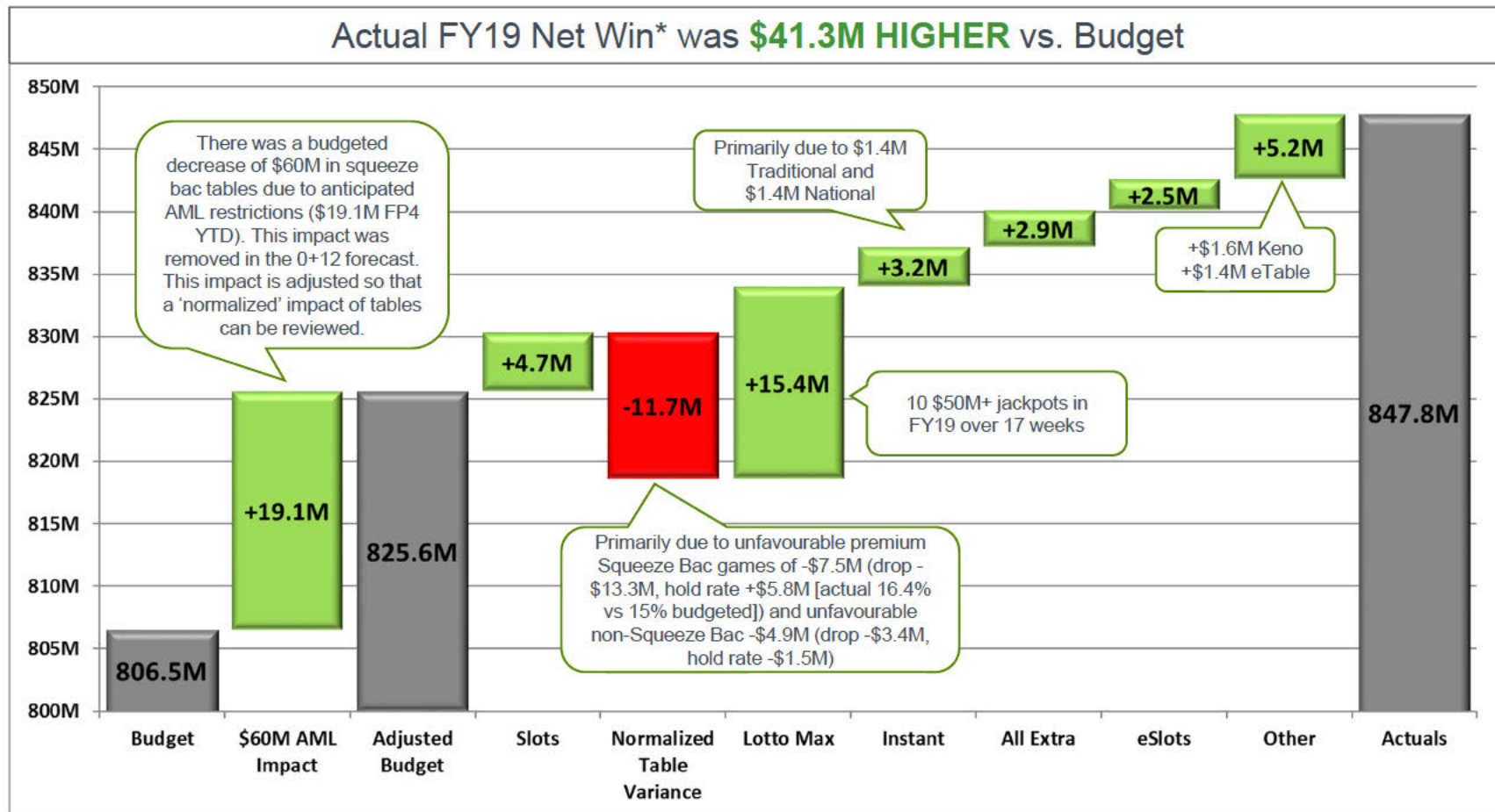
Net Win

Budget Comparison

Prior Year Comparison

Net Win Waterfall – Budget vs. Actuals

YTD FP4
FY19



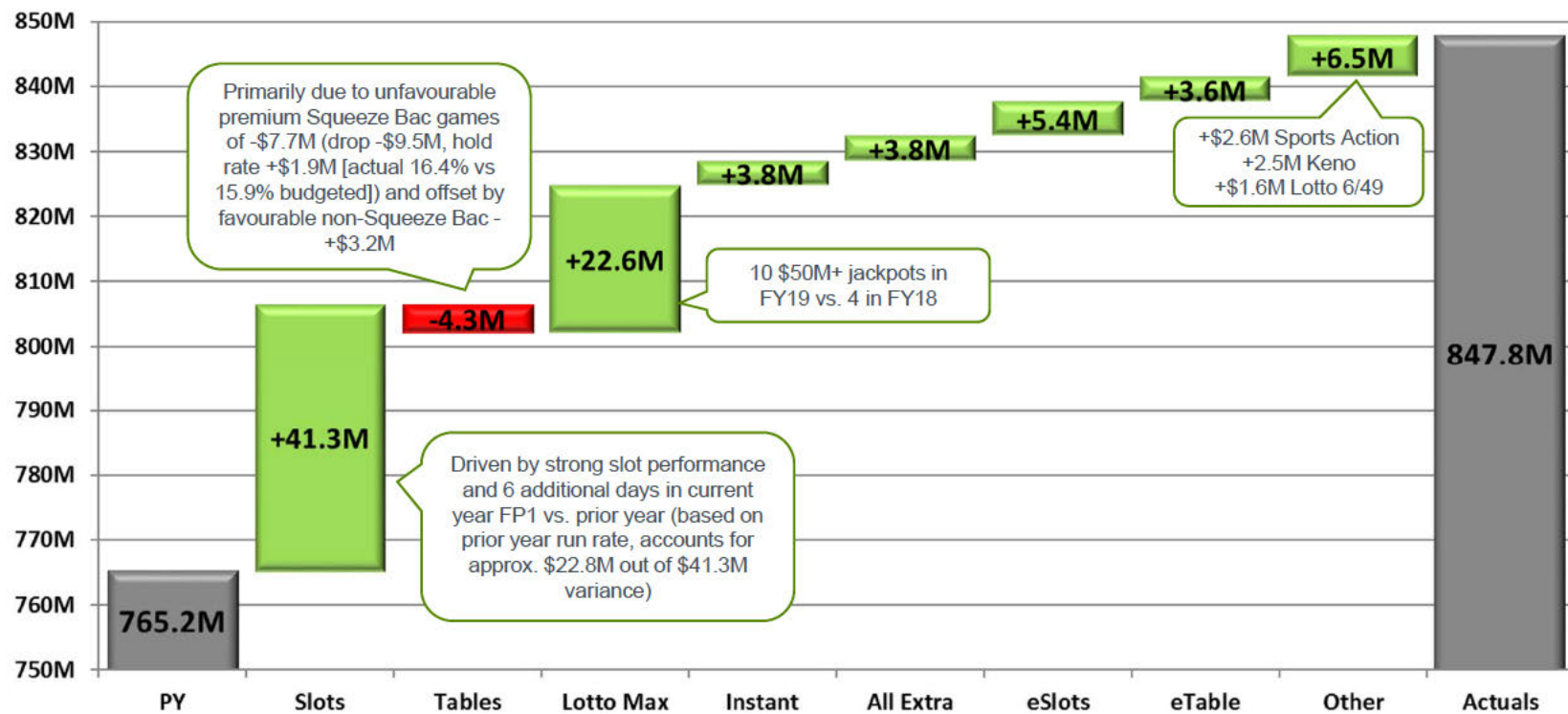
* includes B2B revenue

Lottery Products = Brick and Mortar + online

Some figures may not add due to rounding

Net Win Waterfall – Prior Year vs. Actuals

Actual FY19 Net Win* was **\$82.6M HIGHER** vs. Prior Year. Approximately **\$41M** favourability is due to 6 additional days in current year FP1 vs. PY



* includes B2B revenue

Lottery Products = Brick and Mortar + online

Some figures may not add due to rounding

Net Win Actuals – B2C by Channel

YTD FP4
FY19

Actual FY19 Net Win* was **\$844.8M**: 95% generated through B&M and 5% - PlayNow



Tables include Tables and Poker

Lotto includes Lotto Max, 6/49, BC49, Daily Grand, Extras

Social includes KENO, PHEP, BC 50/50, Poker Lotto, Sports Action, and eSports

Instant includes Traditional and National Scratch, Set for Life, and Pull Tabs

■ B&M ■ PlayNow

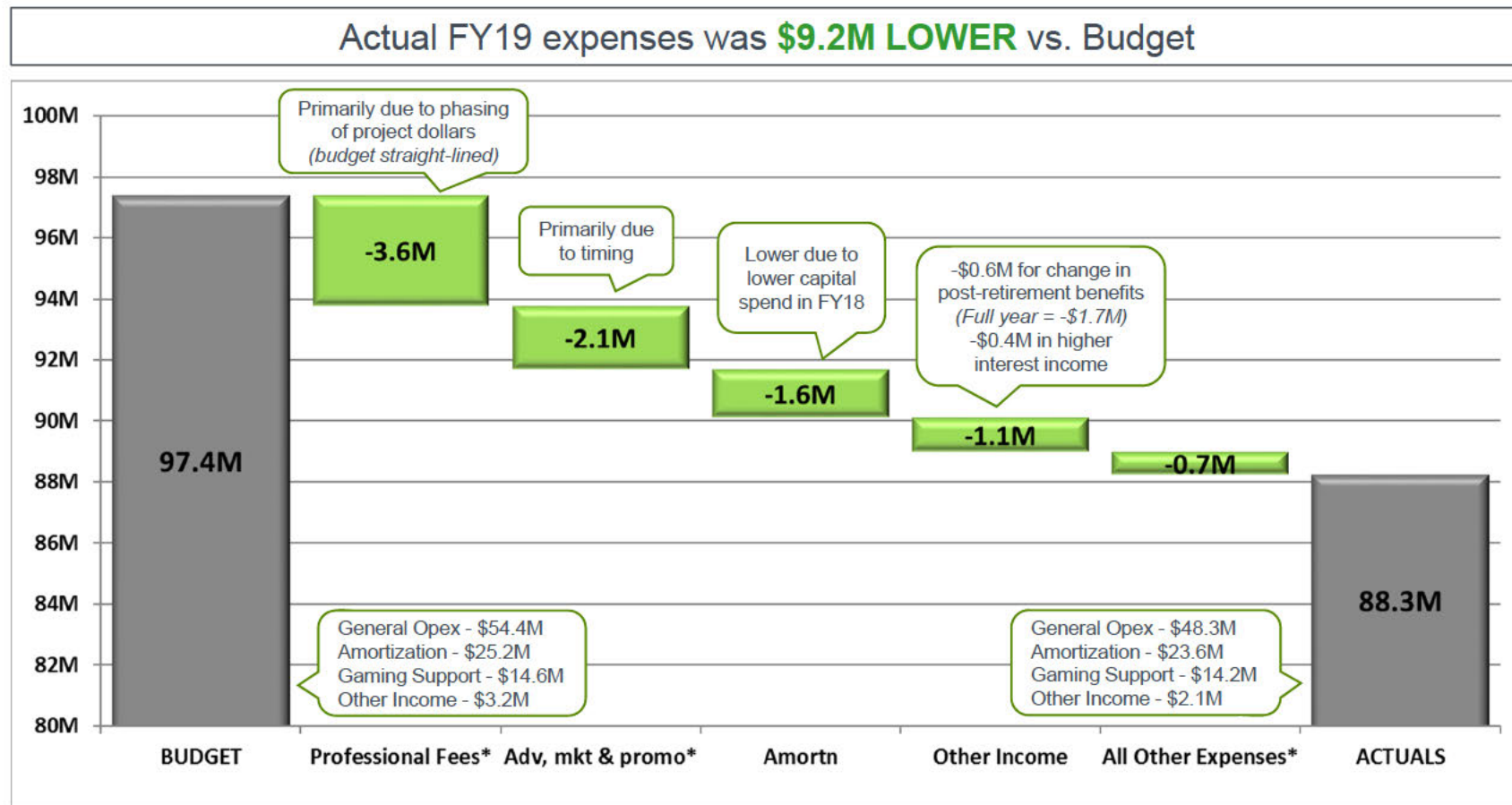
* excludes B2B revenue

Some figures may not add due to rounding

Expenses

Budget Comparison

Expenses by type – Budget vs. Actuals



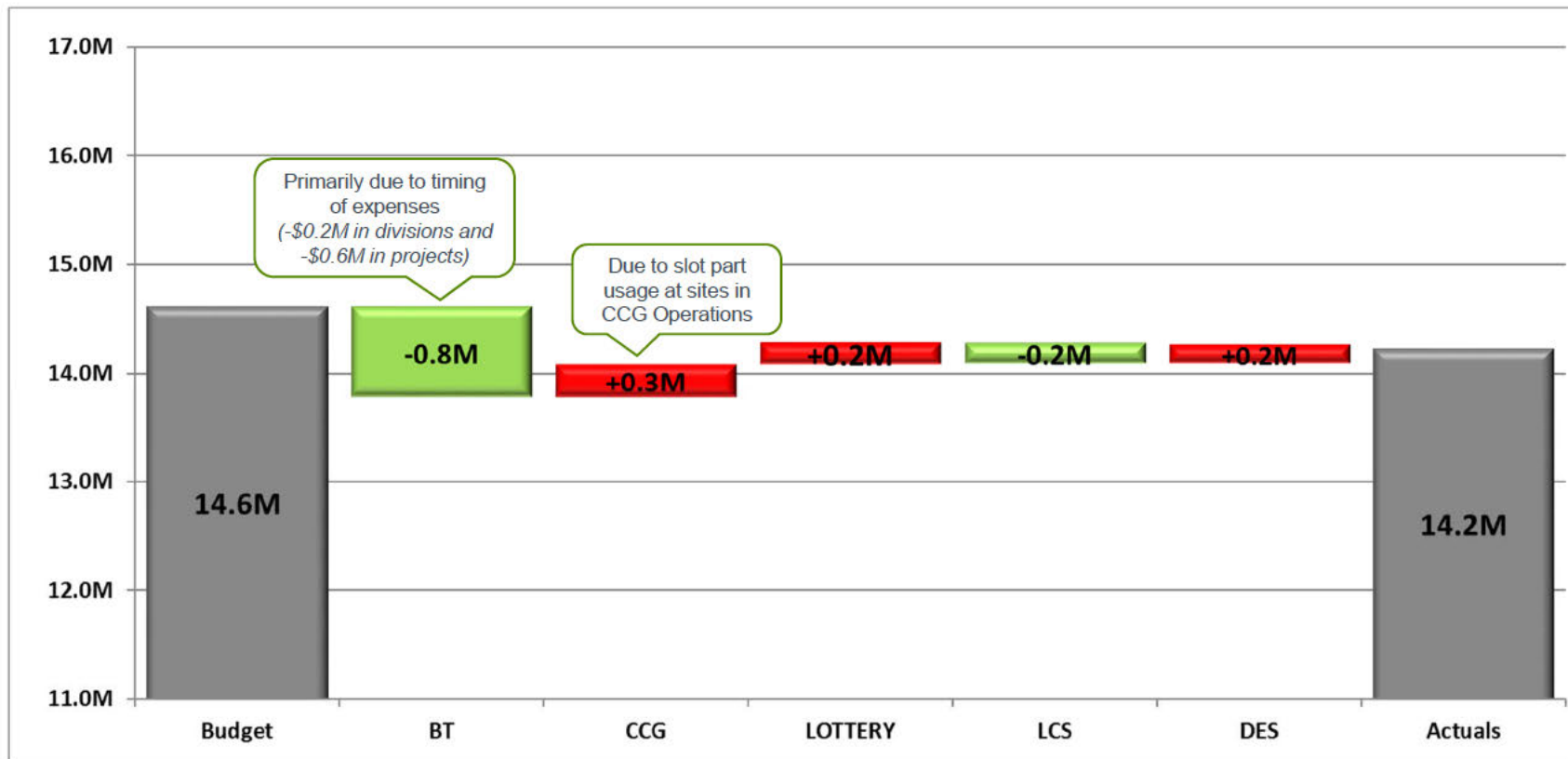
OPEX Variances exceeding +/- \$500K vs. budget are shown above

Some figures may not tie due to rounding

* Denotes expenses which are included in General Opex (annual FY19 budget of \$170.2M)

Gaming Support Costs – Budget vs. Actuals

Actual FY19 Gaming Support Costs was **\$0.4M LOWER** vs. Budget

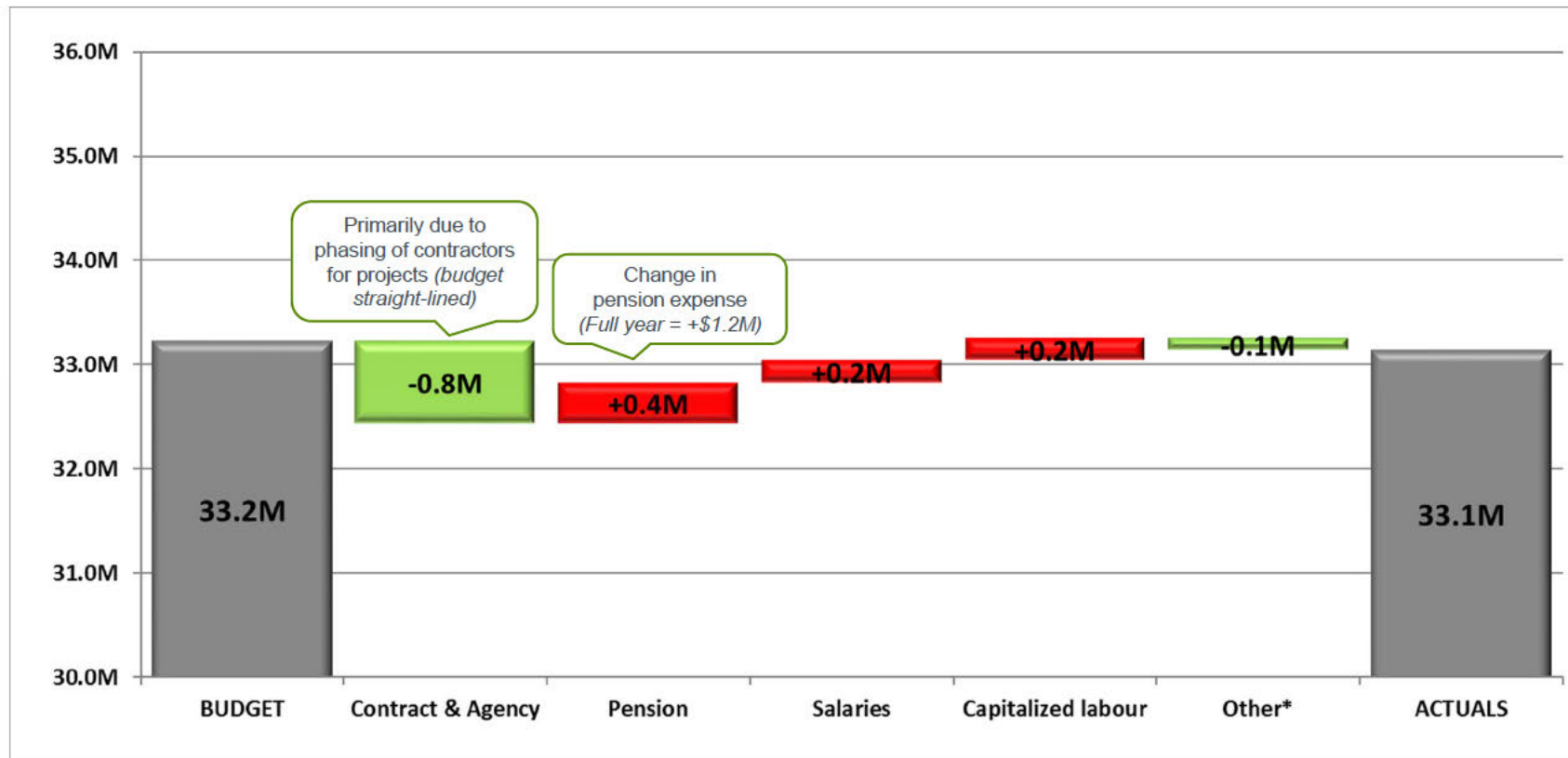


Some figures may not tie due to rounding

All other divisions that have an immaterial variance to budget (variances +/- \$100K vs. budget)

Salaries and Benefits – Budget vs. Actuals

Actual FY19 Salaries and Benefits was **\$0.1M LOWER** vs. Budget



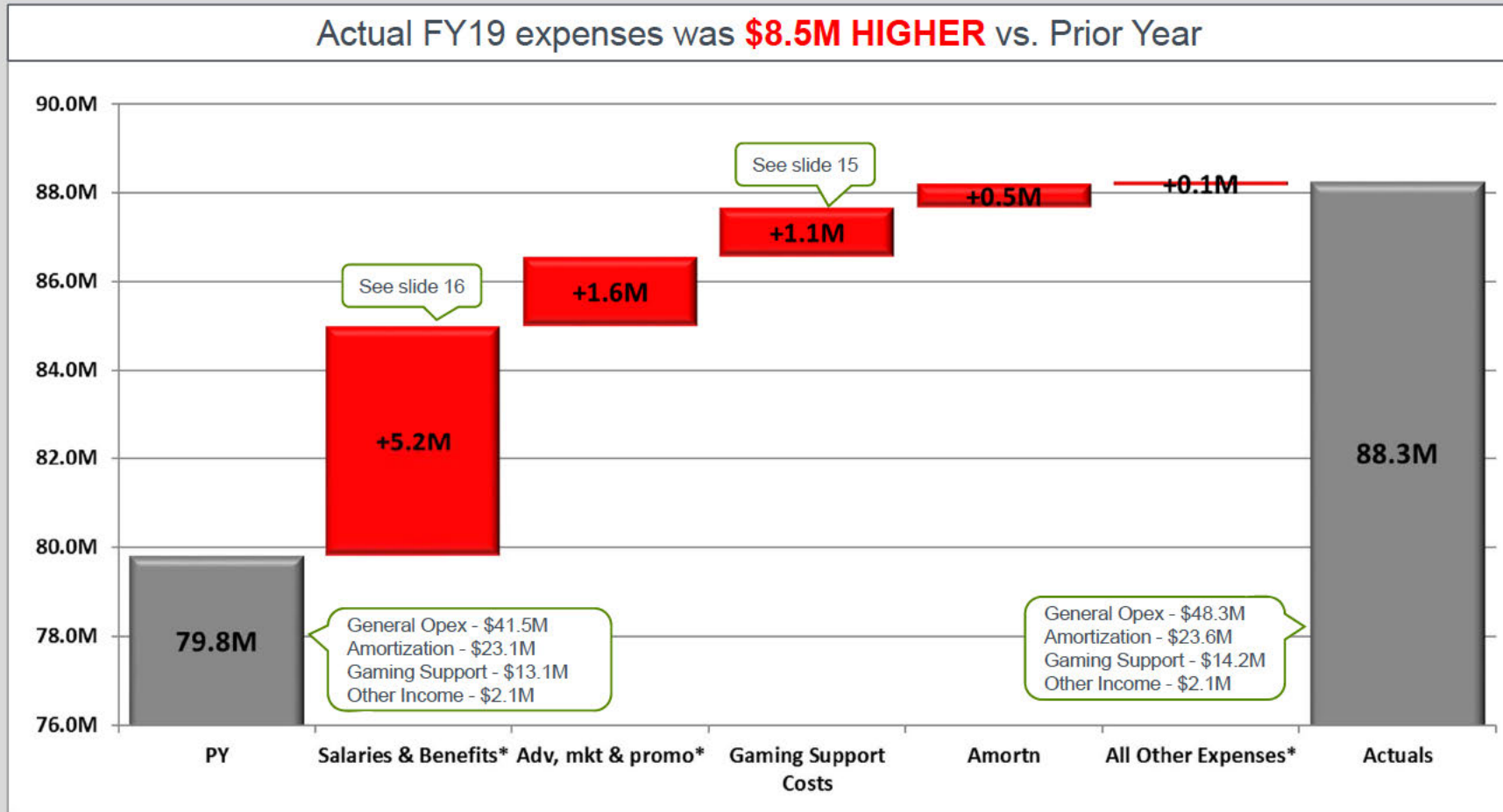
Some figures may not tie due to rounding

* Variances exceeding +/- \$100K vs. budget are shown above

Expenses

Prior Year Comparison

Expenses by type – Prior Year vs. Actuals



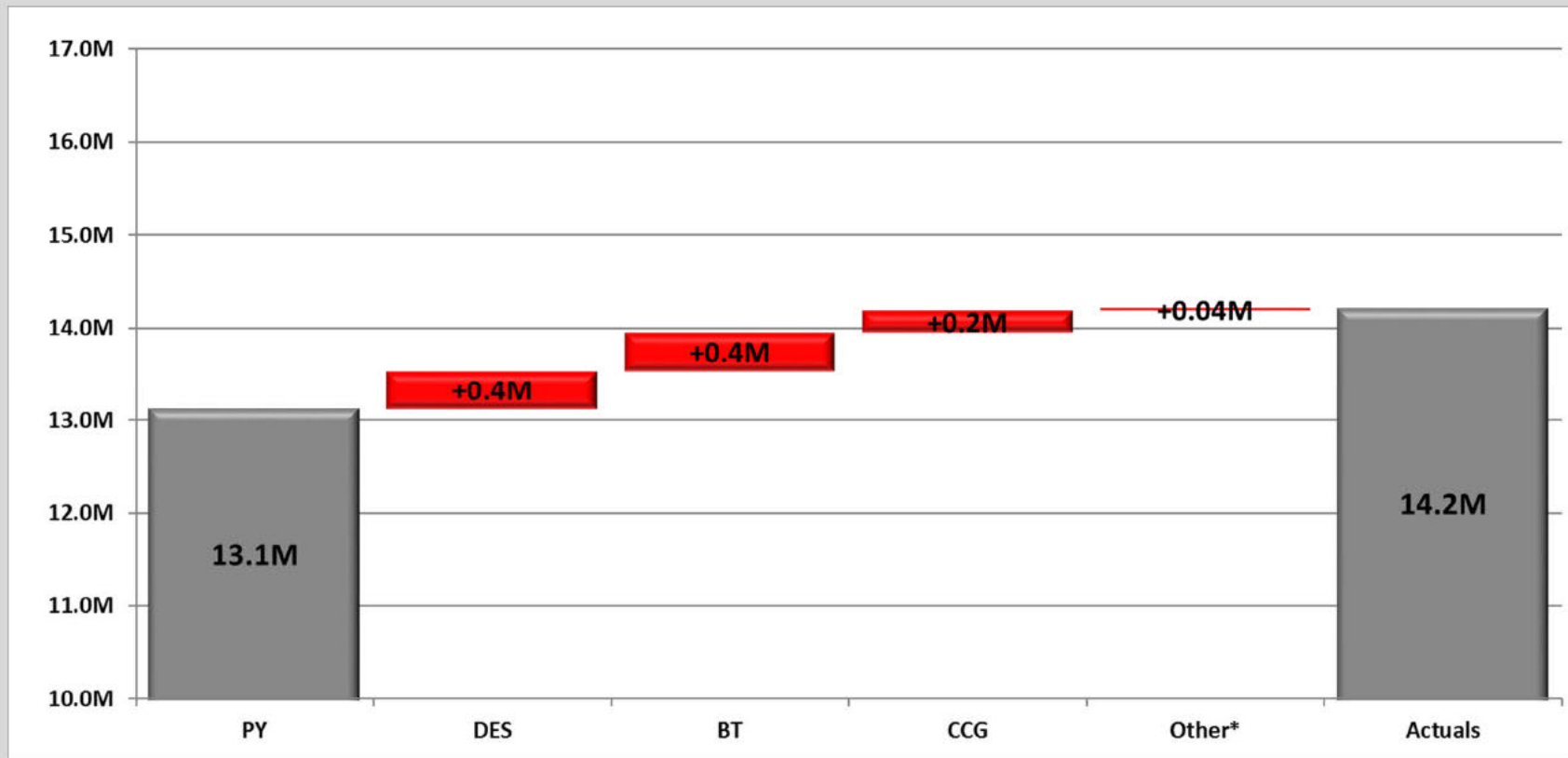
OPEX Variances exceeding +/- \$500K vs. prior year are shown above

Some figures may not tie due to rounding

* Denotes expenses which are included in General Opex (annual FY19 budget of \$170.2M)

Gaming Support Costs - Prior Year vs. Actuals

Actual FY19 Gaming Support Costs was **\$1.1M HIGHER** vs. Prior Year

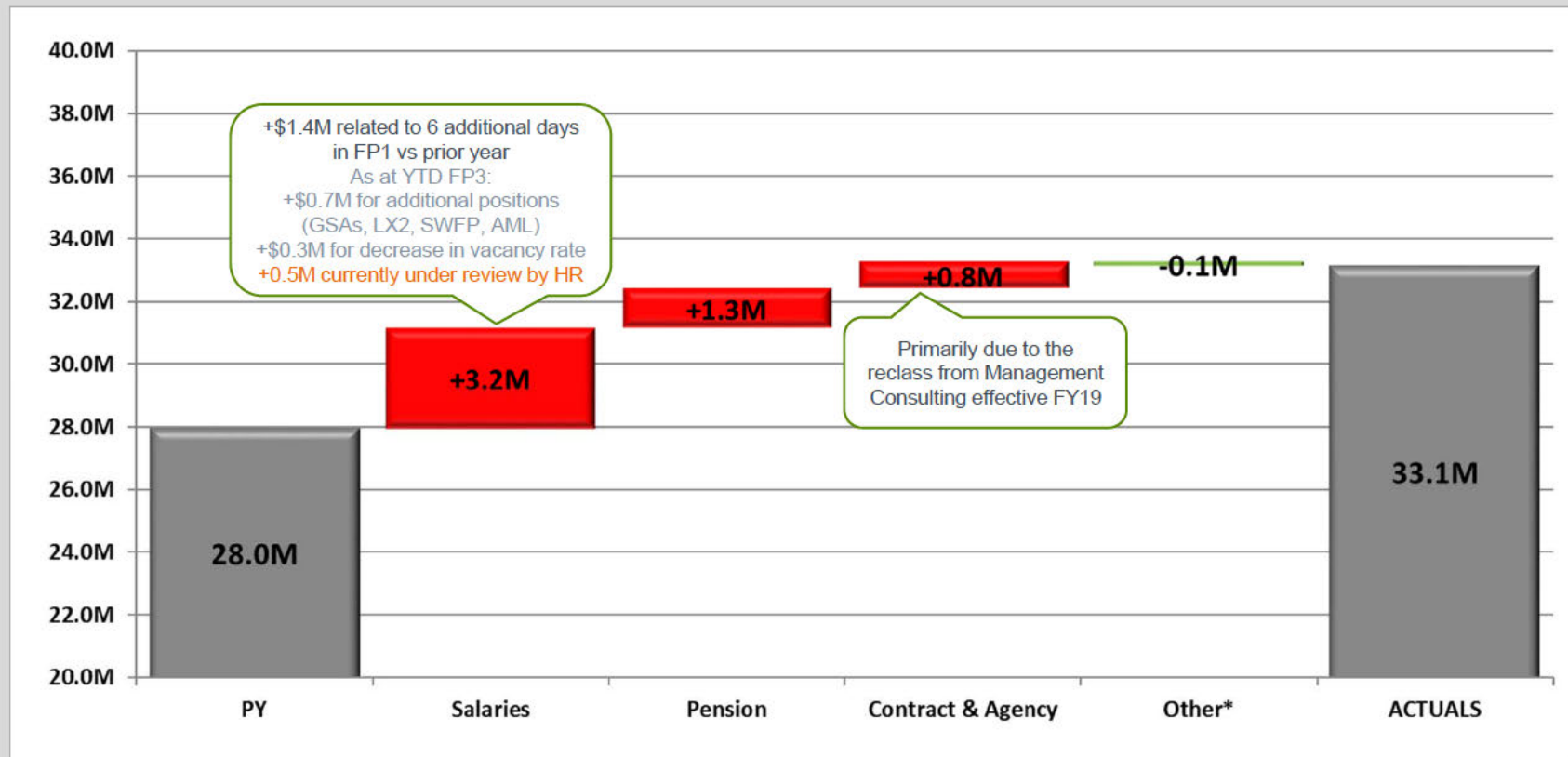


Some figures may not tie due to rounding

* Variances exceeding +/- \$200K vs. prior year are shown above, remaining variances net to +\$37K

Salaries and Benefits - Prior Year vs. Actuals

Actual FY19 Salaries and Benefits was **\$5.2M HIGHER** vs. Prior Year



Some figures may not tie due to rounding

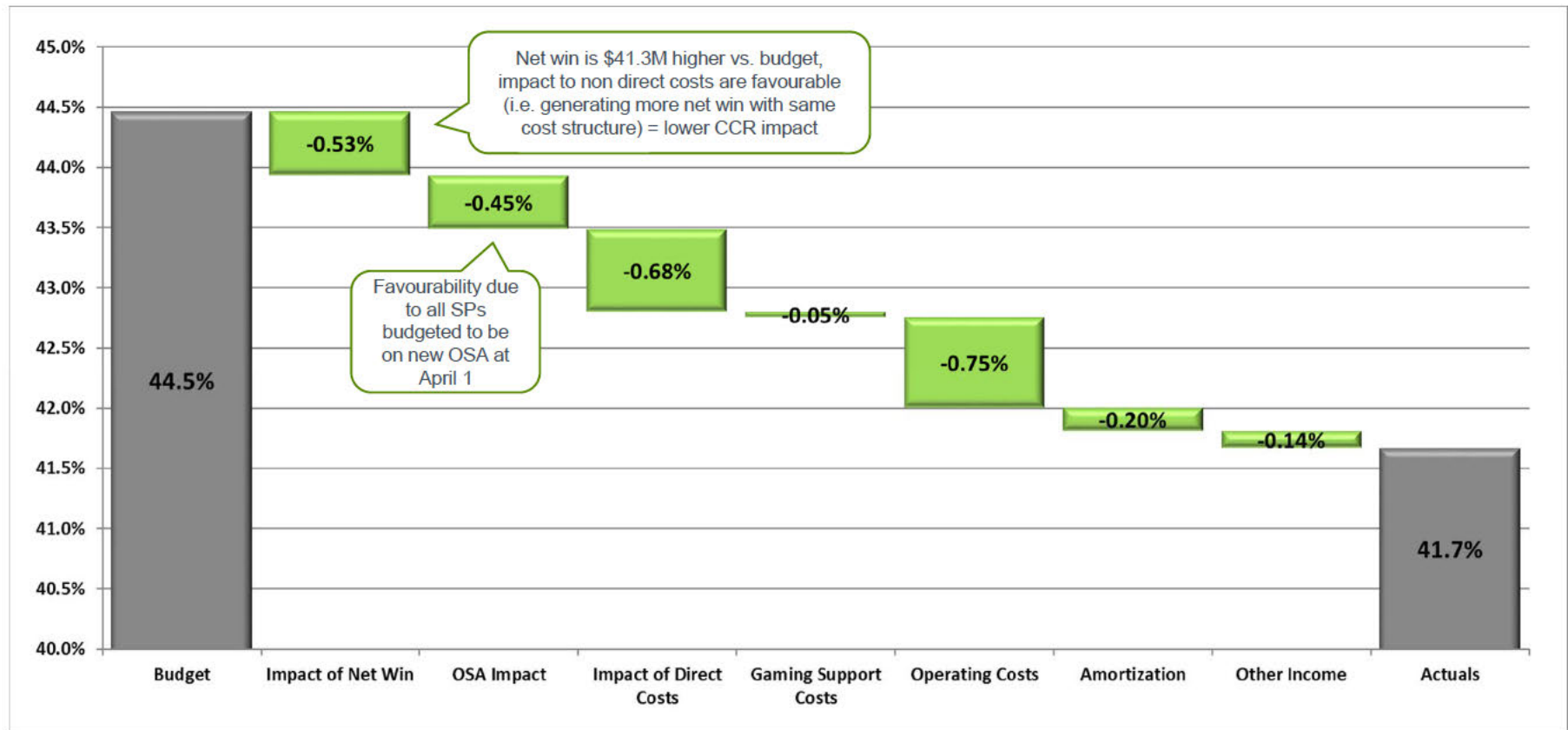
* Variances exceeding +/- \$200K vs. prior year are shown above, remaining variances net to -\$112K

Comprehensive Cost Ratio (CCR)

Budget Comparison

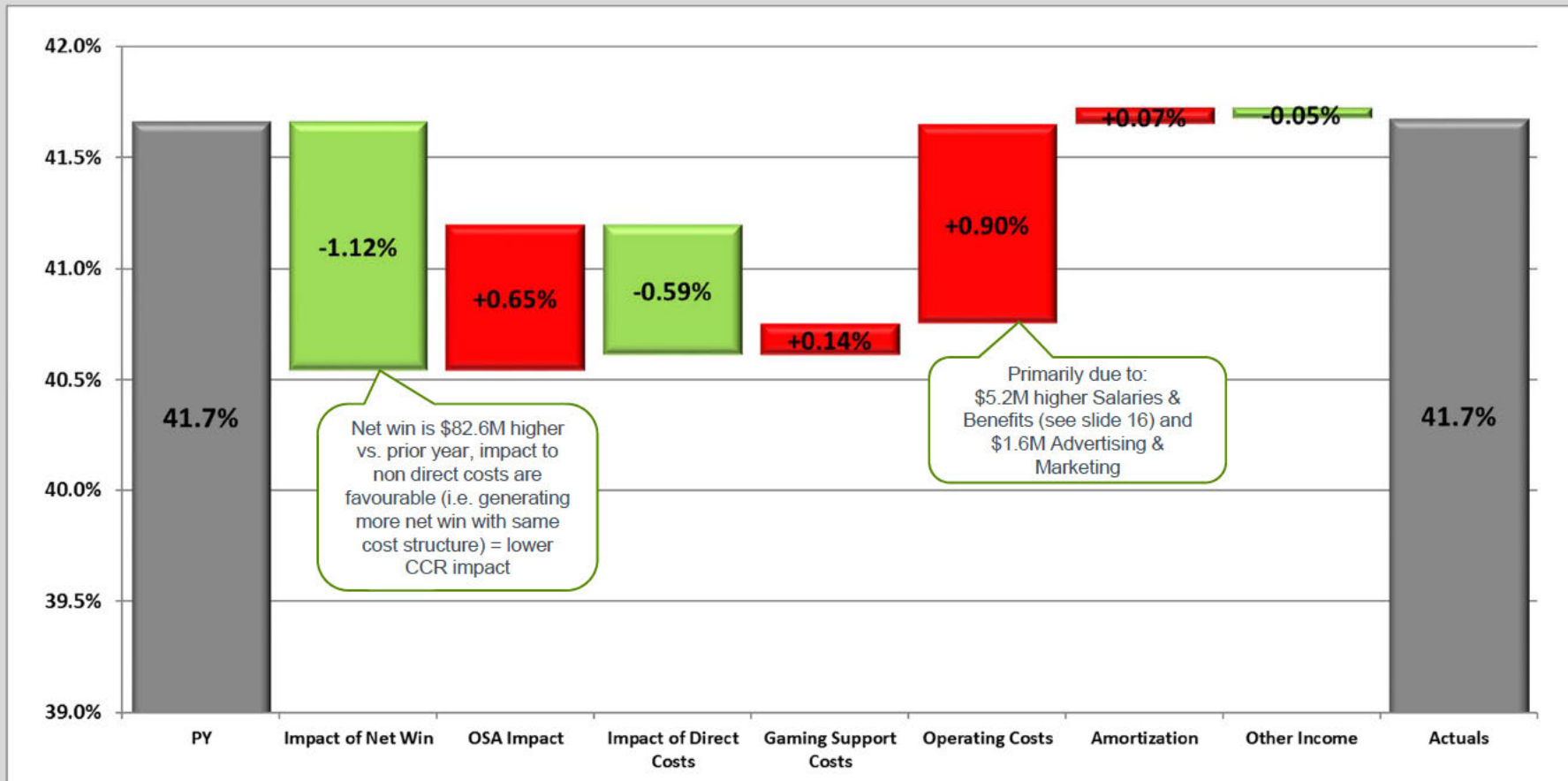
Prior Year Comparison

CCR – Budget vs. Actuals



Some figures may not add due to rounding

CCR – Prior Year vs. Actuals



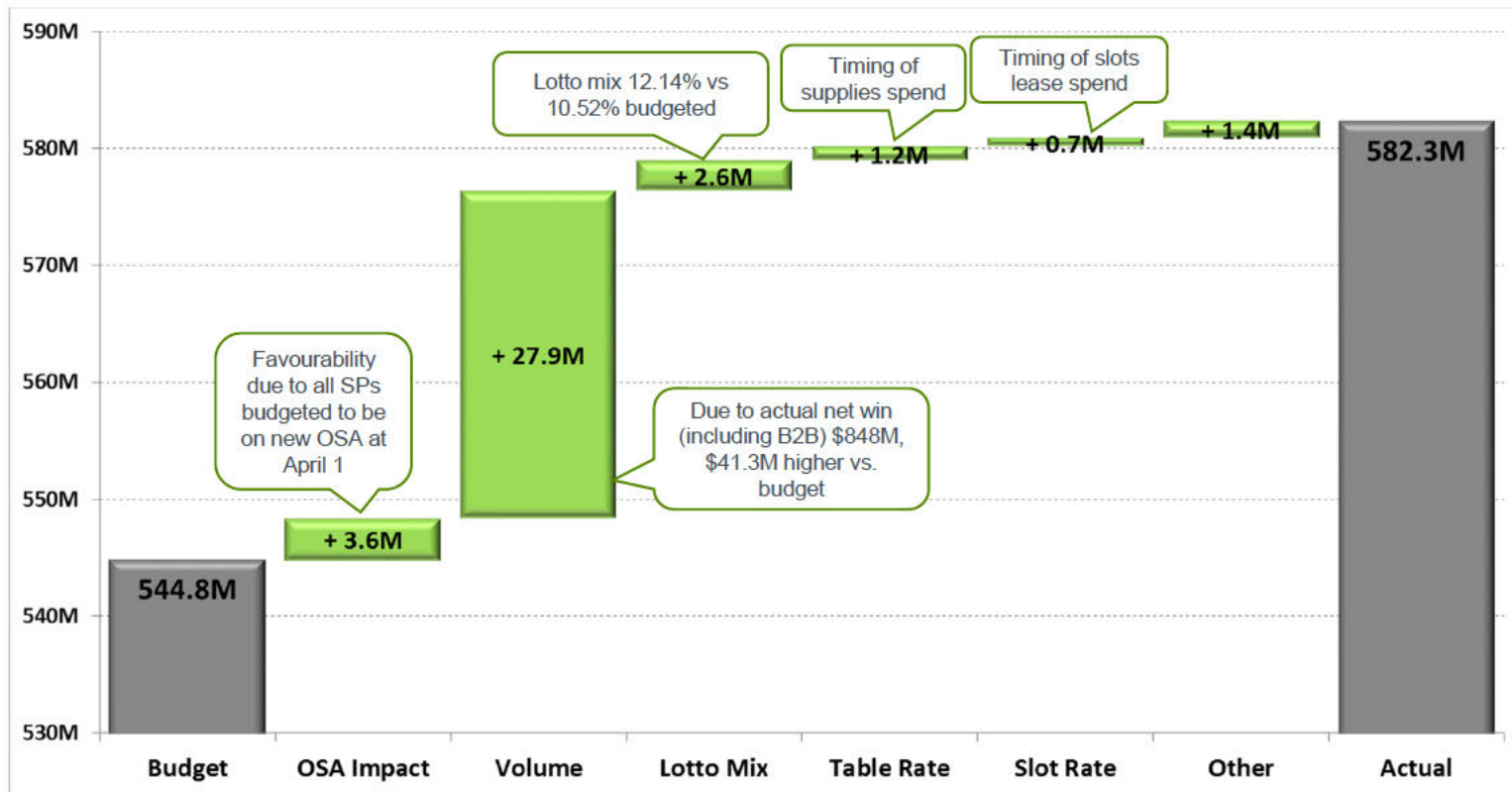
Some figures may not add due to rounding

Appendix

Gross Margin

Gross Margin Dollars – Budget vs. Actuals

- Gross Margin \$37.5M **higher** vs. budget
- Higher gross margin dollars primarily driven by:
 - **Higher** volume of \$27.9M and
 - **Higher** gross margin rate of \$9.6M or 113 bps (68.68% vs. 67.55%)

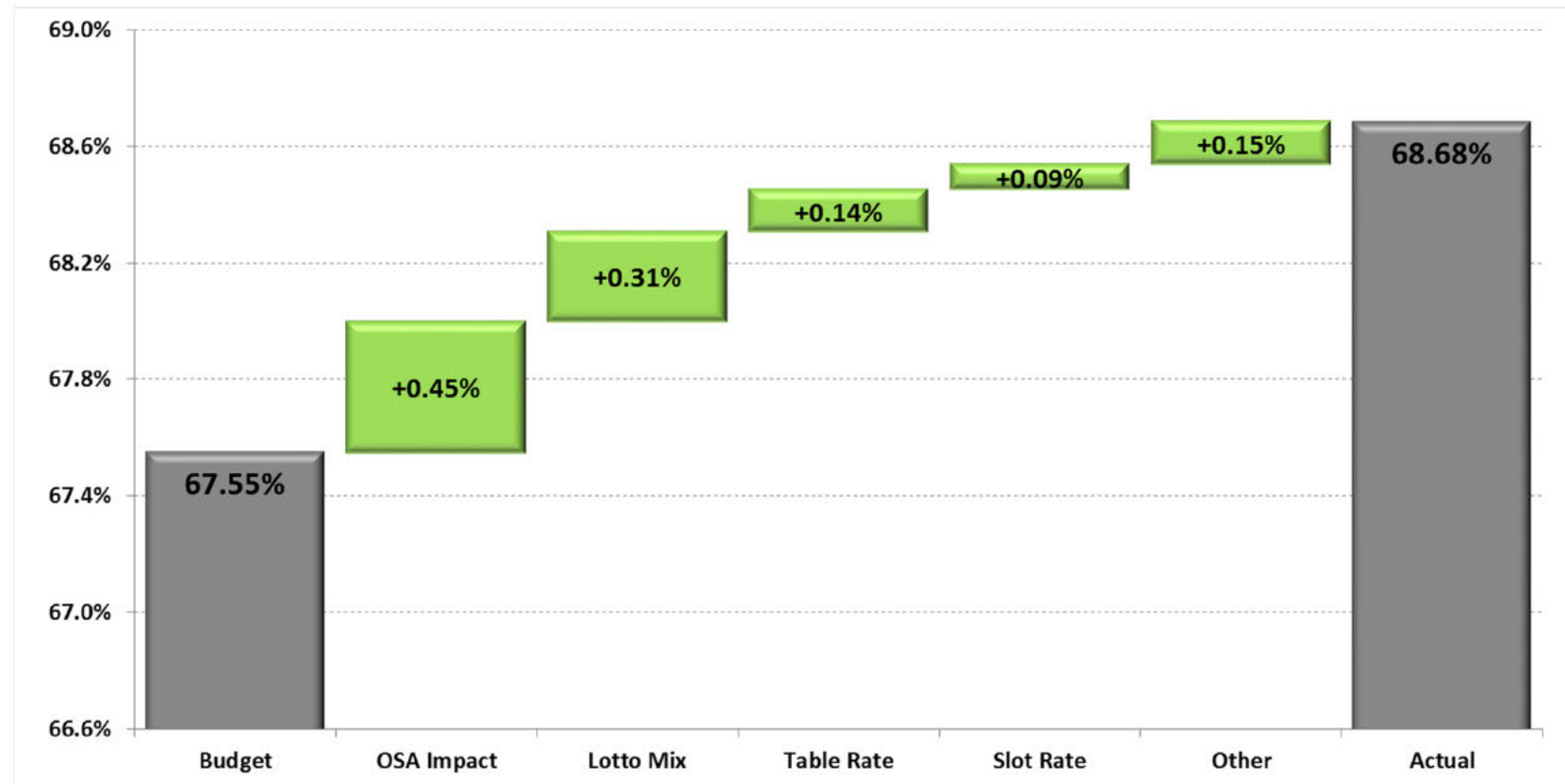


Some figures may not add due to rounding

Gross Margin Rate – Budget vs. Actuals

YTD FP4
FY19

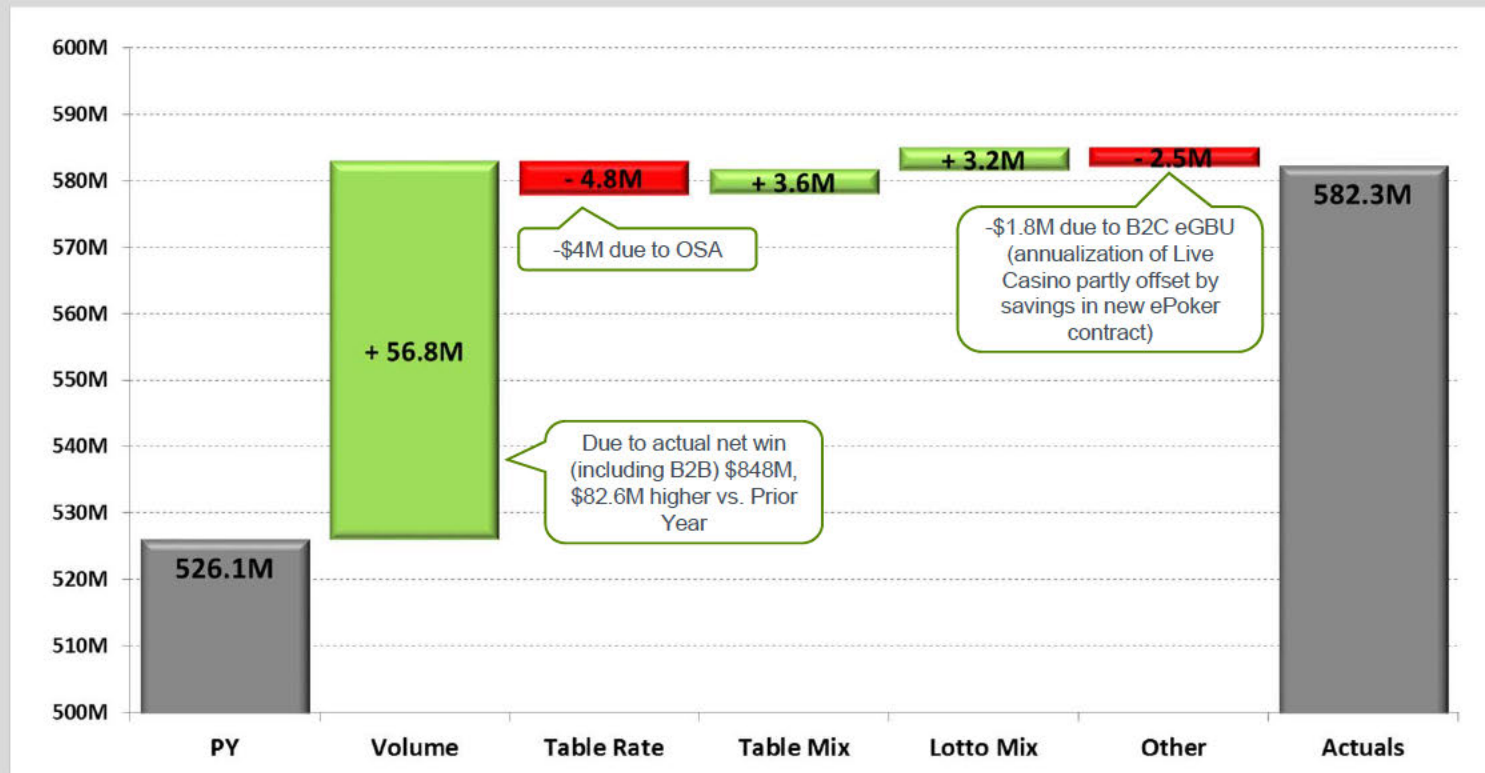
- Gross Margin Rate was **higher** vs. budget by 113 bps (68.68% vs. 67.55%)



Some figures may not add due to rounding

Gross Margin Dollars – Prior Year vs. Actuals

- Gross Margin \$56.2M **higher** vs. prior year actuals
- Higher gross margin dollars primarily driven by:
 - **Higher** volume vs. prior year of \$56.8M and
 - **Lower** gross margin rate \$0.6M or 7 bps (68.68% vs. 68.75%)



Some figures may not add due to rounding

Gross Margin Rate – Prior Year vs. Actuals

YTD FP4
FY19

- Gross Margin Rate was **Lower** vs. prior year by 7 bps (68.68% vs. 68.75%)



Some figures may not add due to rounding

Kevin Simcoe

From: Abigail Ma
Sent: August-17-18 1:13 PM
To: Amanda Hobson; Cynki Taylor
Subject: FW: Follow-up to phone conversation

Just FYI below.

Amanda – Lauren and Sean called me this morning asking whether BCLC had included any impact of the AML recommendations in our forecast. They asked specifically about OSA and AML, and I relayed the below to them verbally. They asked I follow up with an email.

Thanks
Abby

From: Abigail Ma
Sent: Friday, August 17, 2018 1:13 PM
To: Lauren Matthias ; Sean LaGuardia
Subject: Follow-up to phone conversation

Hi Lauren and Sean

s 13(1), s 17(1)

Hope this helps.

Cheers
Abby

Kevin Simcoe

From: Abigail Ma
Sent: August-17-18 1:38 PM
To: Amanda Hobson; Cynki Taylor
Subject: FW: Follow-up to phone conversation

Additional context FYI below.

From: Matthias, Lauren FIN:EX
Sent: Friday, August 17, 2018 1:34 PM
To: Abigail Ma
Cc: Sean LaGuardia
Subject: RE: Follow-up to phone conversation

Ok that sounds reasonable to me. Thanks very much,
Lauren

From: Abigail Ma [<mailto:AMa@BCLC.com>]
Sent: Friday, August 17, 2018 1:22 PM
To: Matthias, Lauren FIN:EX
Cc: La Guardia, Sean FIN:EX
Subject: RE: Follow-up to phone conversation

We haven't explicitly made a source of documentation assumption at Q1 – the reason being that, while there was a change in the source of documentation requirements, there were a few other main events that make it difficult to attribute activity to this implementation. Namely, Chinese New Year (typically a very busy time for casinos), the strike at Hard Rock, and the ongoing strikes in the Okanagan. What we have done is looked at our casino business holistically and determined whether we feel we can still deliver on forecasted net win.

From: Matthias, Lauren FIN:EX <Lauren.Matthias@gov.bc.ca>
Sent: Friday, August 17, 2018 1:18 PM
To: Abigail Ma <AMa@BCLC.com>
Cc: Sean LaGuardia <Sean.LaGuardia@gov.bc.ca>
Subject: RE: Follow-up to phone conversation

Sorry Abigail – one more question:
s 13(1)

Thank you,
Lauren

From: Abigail Ma [<mailto:AMa@BCLC.com>]
Sent: Friday, August 17, 2018 1:13 PM
To: Matthias, Lauren FIN:EX; La Guardia, Sean FIN:EX
Subject: Follow-up to phone conversation

Hi Lauren and Sean

s 13(1), s 17(1)

Hope this helps.

Cheers

Abby

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This email is intended only for the addressee. It may contain confidential or proprietary information that cannot be disclosed without BCLC's permission. If you have received this email in error, please notify the sender immediately and delete the email.

Kevin Simcoe

From: Cynki Taylor
Sent: April-08-21 6:18 PM
To: Kevin Simcoe
Subject: FOI Request 21-011: DRAFT - 5+7 analysis
Attachments: 5+7 Prelim Revenue (net of prizes) Alignment.pptx

From: Abigail Ma <AMa@BCLC.com>
Sent: Tuesday, August 28, 2018 4:51 PM
To: Amanda Hobson <AHobson@bclc.com>
Cc: Cynki Taylor <CTaylor@bclc.com>; Sibil Chan <SChan@bclc.com>
Subject: DRAFT - 5+7 analysis

Hi Amanda

Given your conversation with Sam McLeod, see attached for draft indicative view. This is the full 5+7 review the team plans to do with Brad but it includes reference to squeeze bac decline. Refer specifically to slides 10, 13, and 14. I admit to snooping around the team's files on the server, so I'll caveat these as DRAFT. Also, there's probably more detailed analysis behind this but I can't locate it.

I think Sibil/Cynki have gone home, so this is the best for today. I can ask them to follow up tomorrow if still needed.

Abby

CCG “Revenue net of Prizes” Alignment

Prelim 5+7 Fiscal 2019-2023

Before we start.....

- Due to accounting standards change, there will be a “*naming convention*” transition
- What Finance sourced reports call “*Net Win*” previously, will be renamed “*Revenue*” or “*Revenue net of Prizes*”
- How do we avoid confusion:
 - *Slots will start with Real Net Win*
 - *Tables will start with Table Drop, and convert to Table Win*
 - *Bingo has always used Net of Prize*
 - *All adjustments (Loyalty, Free Play) are handled separately*

Why? What? How?

- **PURPOSE**

- Review and align on CCG revenue net of prizes for the 5+7 forecast

- **OBJECTIVE**

- Determine a preliminary trajectory for revenue net of prizes growth/decline
- Factor in any extraordinary issues (strikes, closures, etc.)

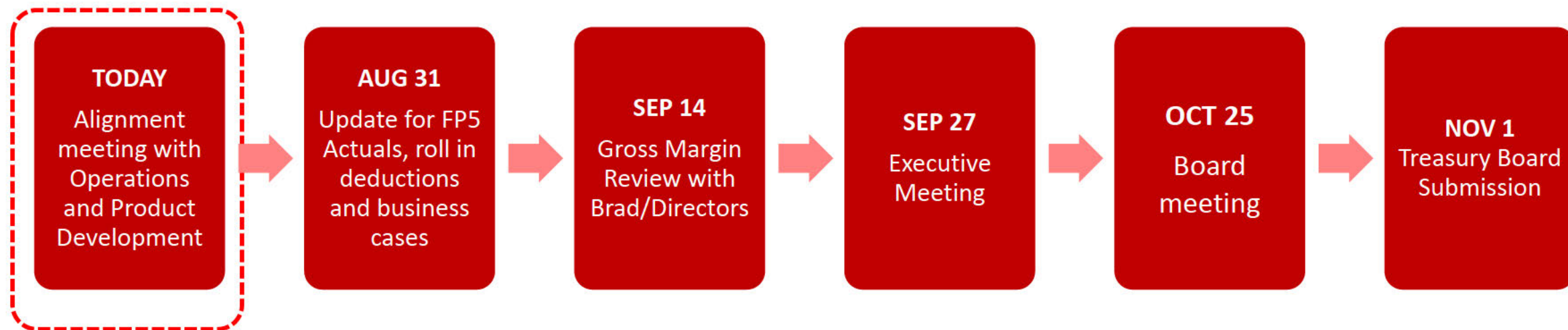
- **PROCESS**

- Review of recent trends for each product & estimated projections
- Comparison vs. recent forecast & prior year

Storyline for Today

- Review of the 5+7 timeline
- Where have we been (*Prior Results*) and where should we be (*0+12 Forecast*)?
- What does the story look like now after **four periods** are complete?
- How do we factor in current **Plot Twists** and where do we assume we are going next?

Timeline



Scope and Approach

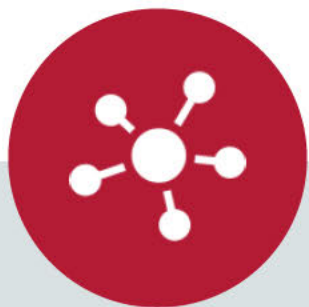
- **Scope:**

- Base business only (excludes business case such as expansions, new sites)
- Assess current trends, risks, and opportunities; set growth targets for the remainder CY and FY's (not set \$-targets)

- **Approach:**



Executive Summary



What we do know

- Soft performance on tables YTD vs 0+12 forecast
 - Squeeze Bac (decline in drop since source of cash implantation)
- Hard Rock and Okanagan Strike
 - Slots performance hampered by strike



Forecast Recommendation

- Reflect soft performance on tables (-\$30M, -13% drop vs PY, -1.5% at CCG revenue net of prizes vs 0+12)
- Maintain slots forecast to mitigate against impact of Interior, GV and Starlight strikes



Items for discussion

- Duration Interior strikes
- Potential/Timing of Grand Villa and Starlight strikes

Review of Previous Forecast

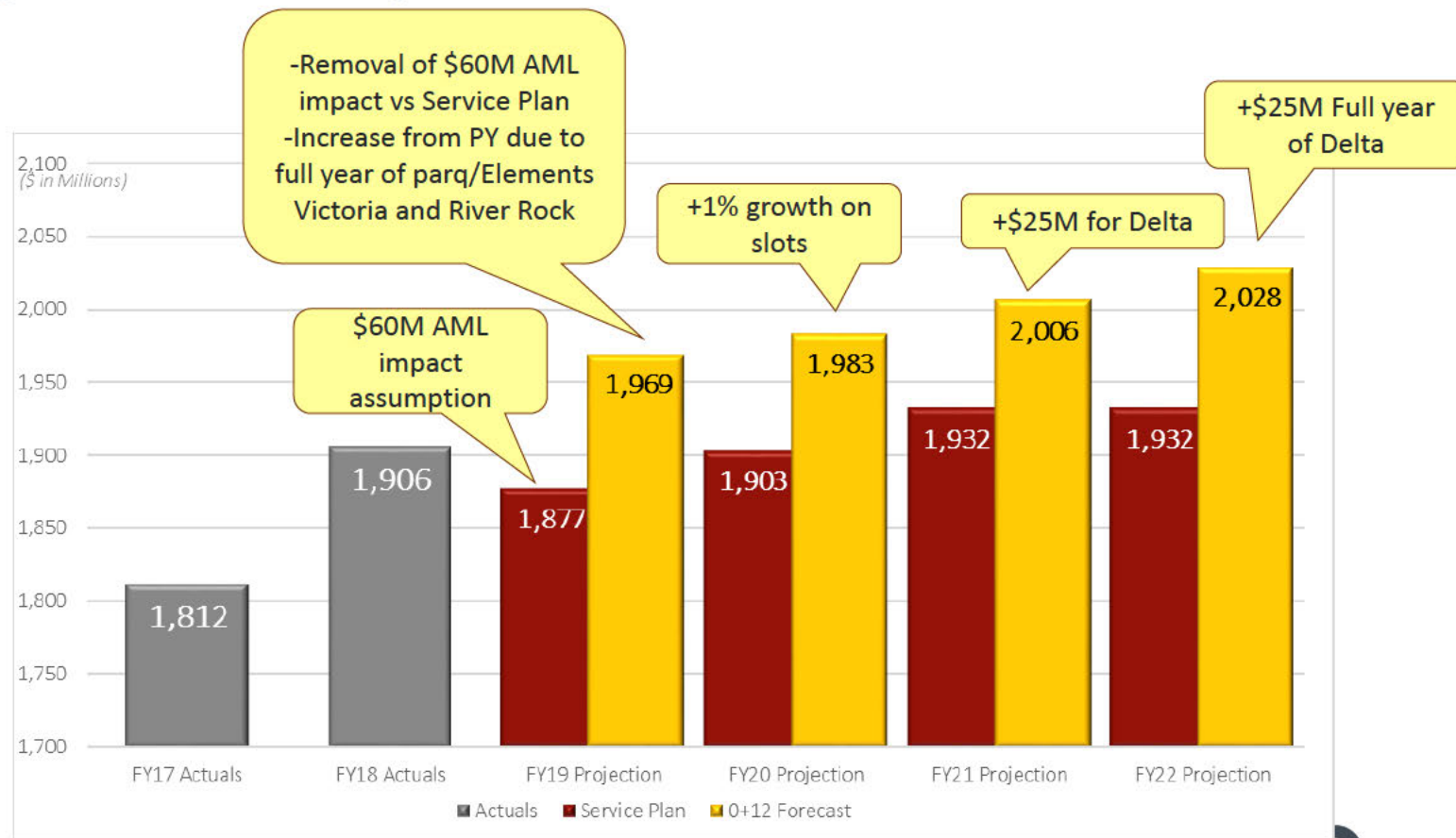
Where were we? (review of 0+12 forecast)

➤ Key FY19 Service Plan YoY growth assumptions:

- *\$60M decrease to net win due to changes to AML policy*
- *Parq annualization; Elements Victoria*

➤ 0+12 Forecast Changes:

- *Reset base for Slots (+30M)*
- *Removed AML impact (+\$60M)*



How is the story changing? *(review of YTD)*

➤ Tripped up out the gate, above budget by **+\$12M**, and below forecast by **-\$17.2M**

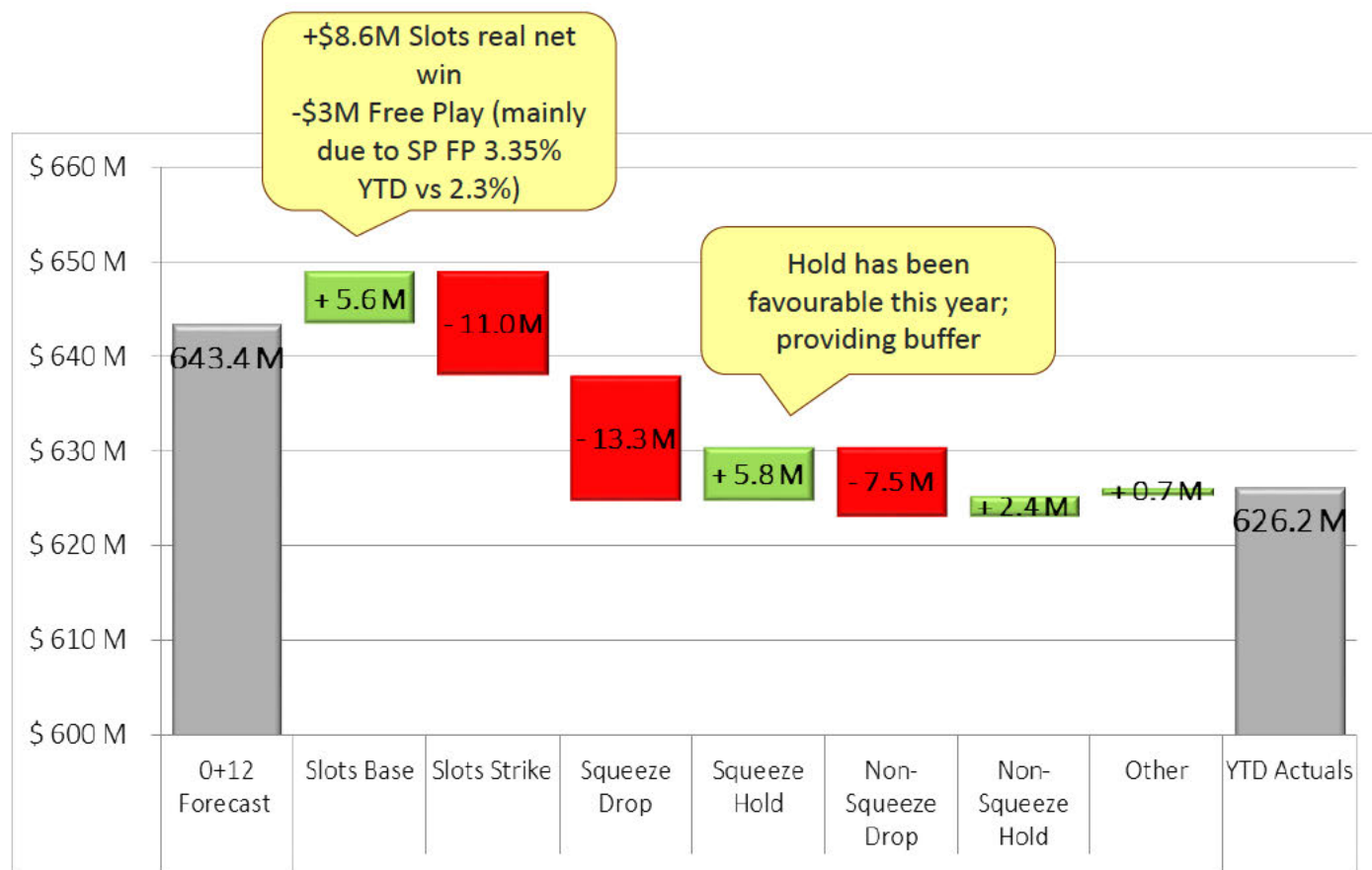
- *Strikes Impact*

- *Hard Rock Strike ~\$12.5M over 74-days*

- *Okanagan Strike ~\$6M as at 30-day mark (end of FP4)*

- *Source-of-Cash policy impacts to Squeeze Play drop; -13% (after Hard Rock removed)*

- *Strong slots performance excluding strike impact*



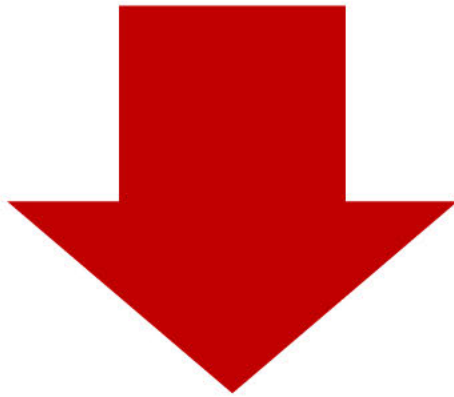
To the end of the year...
And Beyond!!!

Considerations before launch....



Opportunities

- Continued strong product refresh
- Facility enhancements to drive traffic
- Continued marketing efforts to renew focus
- Renewed focus on the loyalty program



Risks

- Current job action at Okanagan sites; potential job action at Starlight and Grand Villa
- Source of Cash Impact on Squeeze Bac Games
- Impact of German Report recommendations

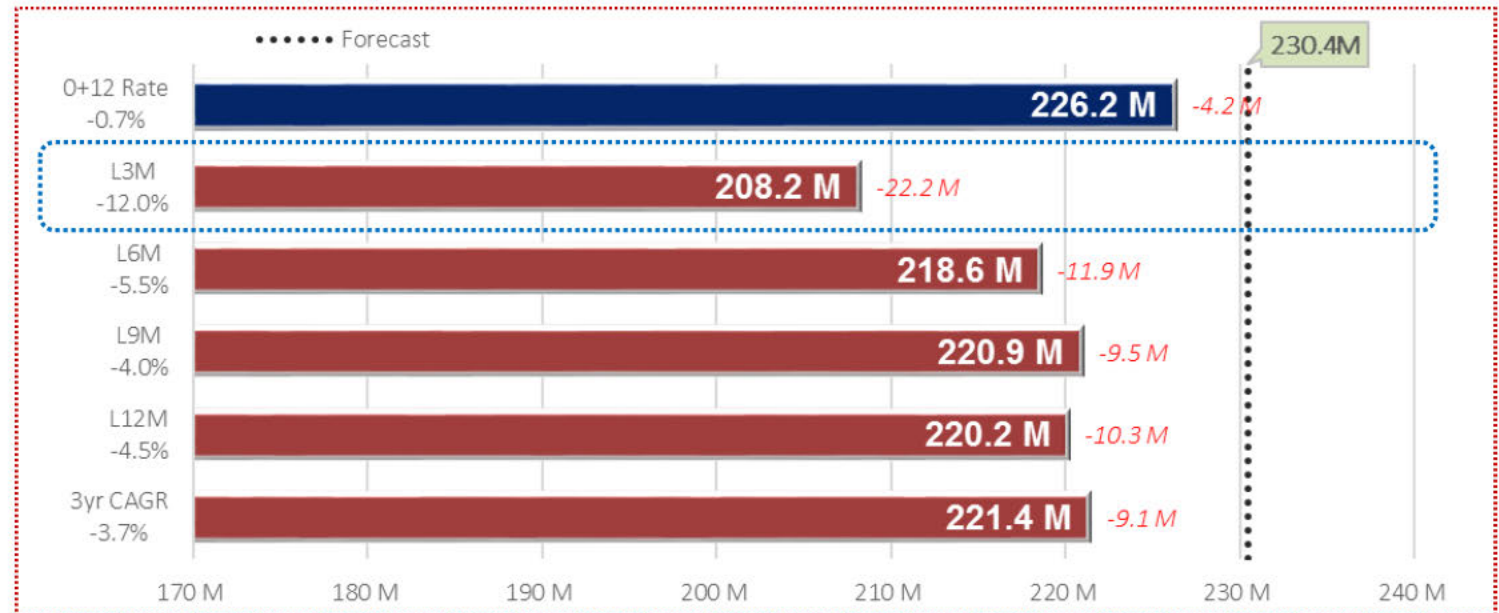
The Squeeze on Baccarat games

- Since Source of Cash policy was implemented, there has been a decline in Squeeze Tables drop (excludes Hard Rock, includes migration of play to other sites):
 - **-11%** since Source of Cash implemented
 - **-13.4%** FY19 YTD FW19

Squeeze Baccarat Projections

- Trend rates below calculated using pre-strike data (YTD FP1)
- L3M trend is purely post-policy change

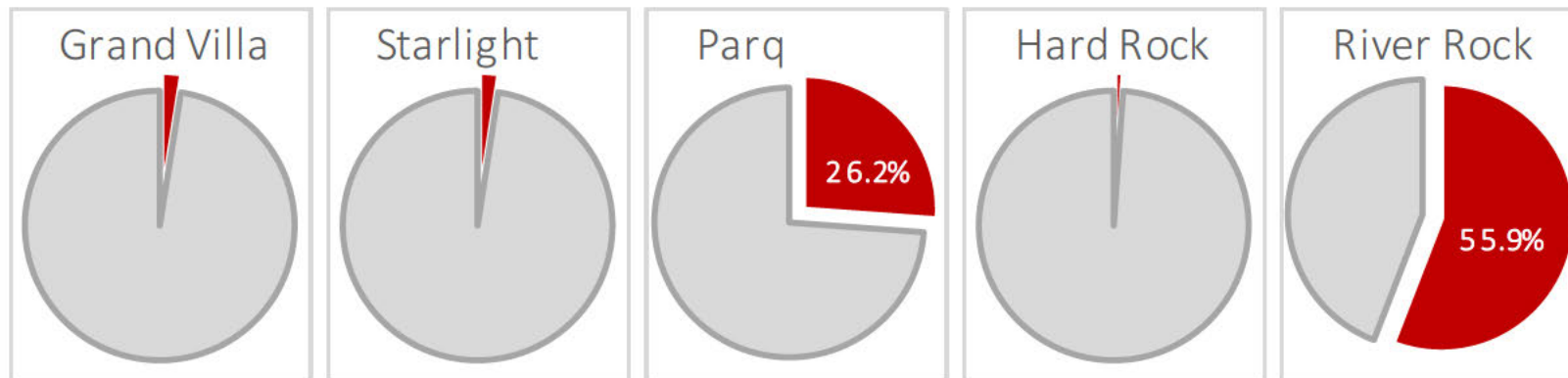
Recommend a -13% decline until FP10
-2.5% from FP10-12,
reasonable?



Every 1% change creates approx. +/- 1.6M in Real Win

VIP Play Split

- Split required to calculate different commission rate
- In the previous forecast, we did not split out play in VIP areas due to uncertainty on volume of play
- FY19 Data available for VIP table play once SP signed onto OSA
- **Approach:** Forecasting based on ALL Squeeze Tables; then splitting into “*VIP Tables*” and “*Premium Squeeze*” based on YTD info
- **Recommendation:** Use YTD trends to project out VIP table play split for RR and Parq



The Non-Squeeze tables and what is happening

- The strikes impacted Non-Squeeze Tables, totaling -\$7.5M for all tables

Hard Rock Strike
Region -6.5M over 74d

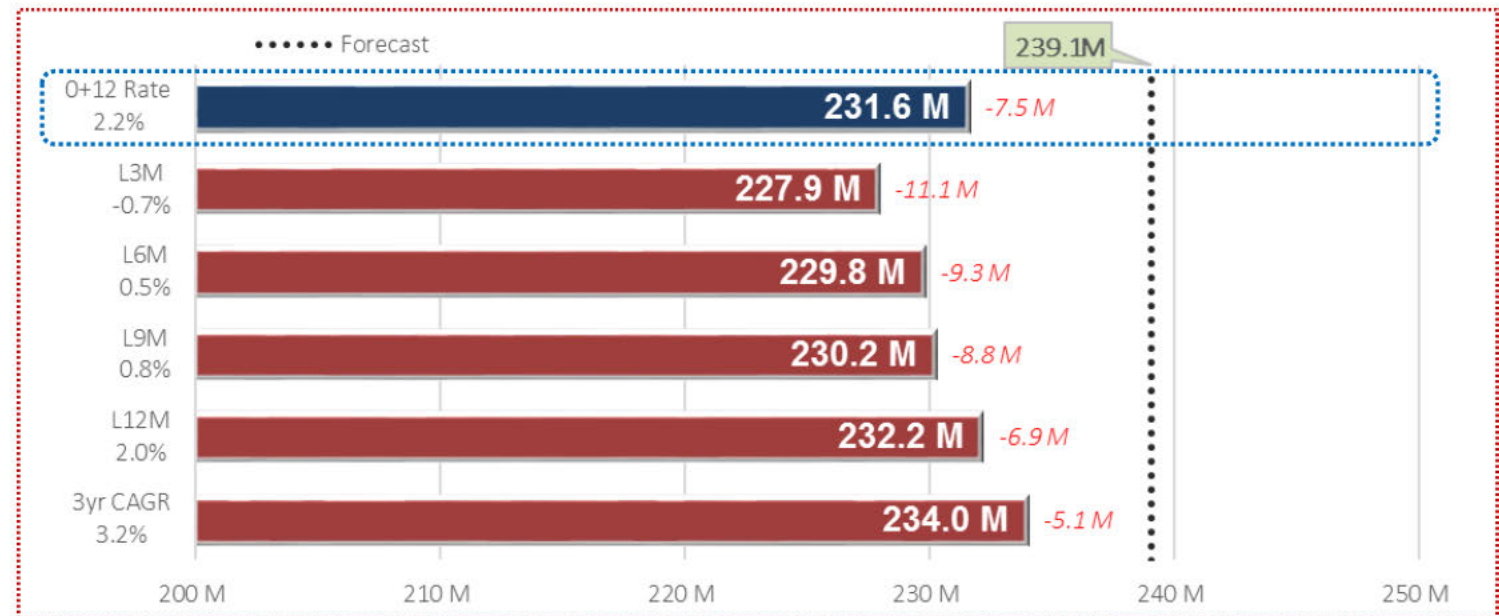
Okanagan Strike
Combined -1.0M over 30d

- 0+12 Forecast had a growth rate of +2.2% over Fiscal 2018, but trends pre-strike were below that (even negative in L3M) – underlying reason?

The Non-Squeeze tables and what is happening

- Trend rates below calculated using pre-strike data; YTD FP1 for Lower Mainland, and YTD FP3 for Okanagan
- Projections assume continued Okanagan job action through FP5
- Explanations for recent decline?

**Recommendation: Hold
0+12 assumptions
(+2.2% drop for
remainder of year)**



Every 1% change creates approx. +/- 1.5M in Real Win

And the other Products?

- Recommended changes to Poker, Linked, and Bingo mostly off-set each other

POKER

+2.6M due to
strong trends
(even with strike)

LINKED

-1.7M due to
declining play

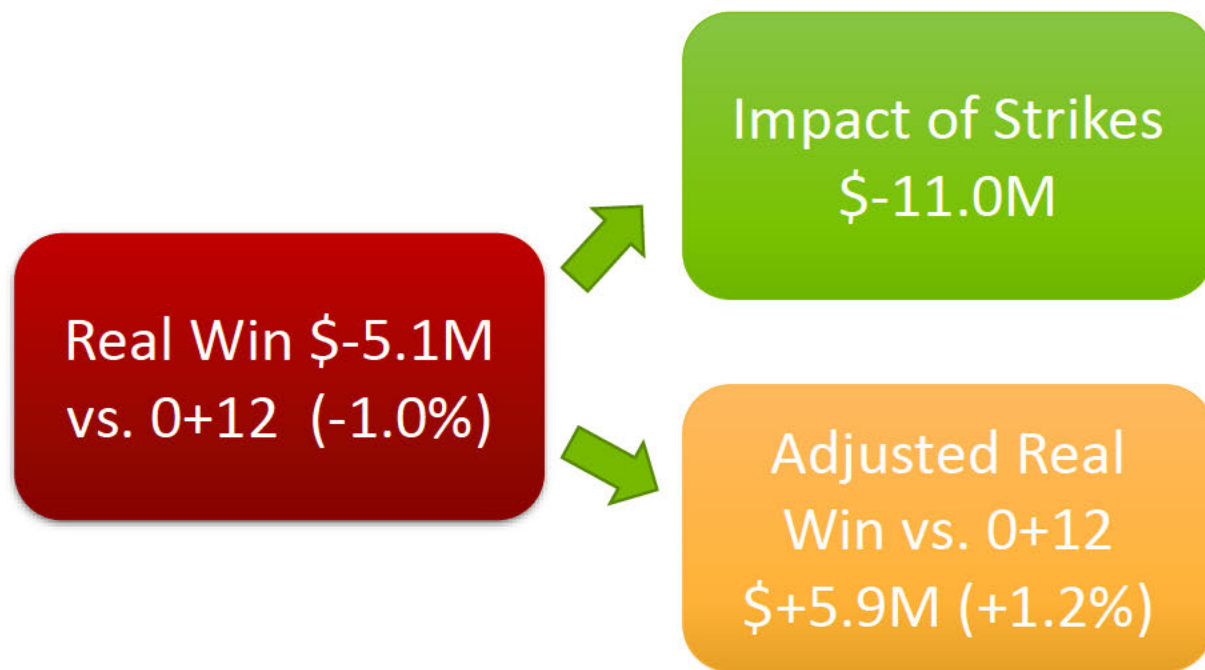
BINGO

-0.6M mainly
from Newton
closure

- Anything in the pipeline for these?
 - Closures? New products offerings? Grow/Shrink footprint?

Is the Golden Child still Golden?

- Despite strikes, Slot Real Win is holding close to forecast:

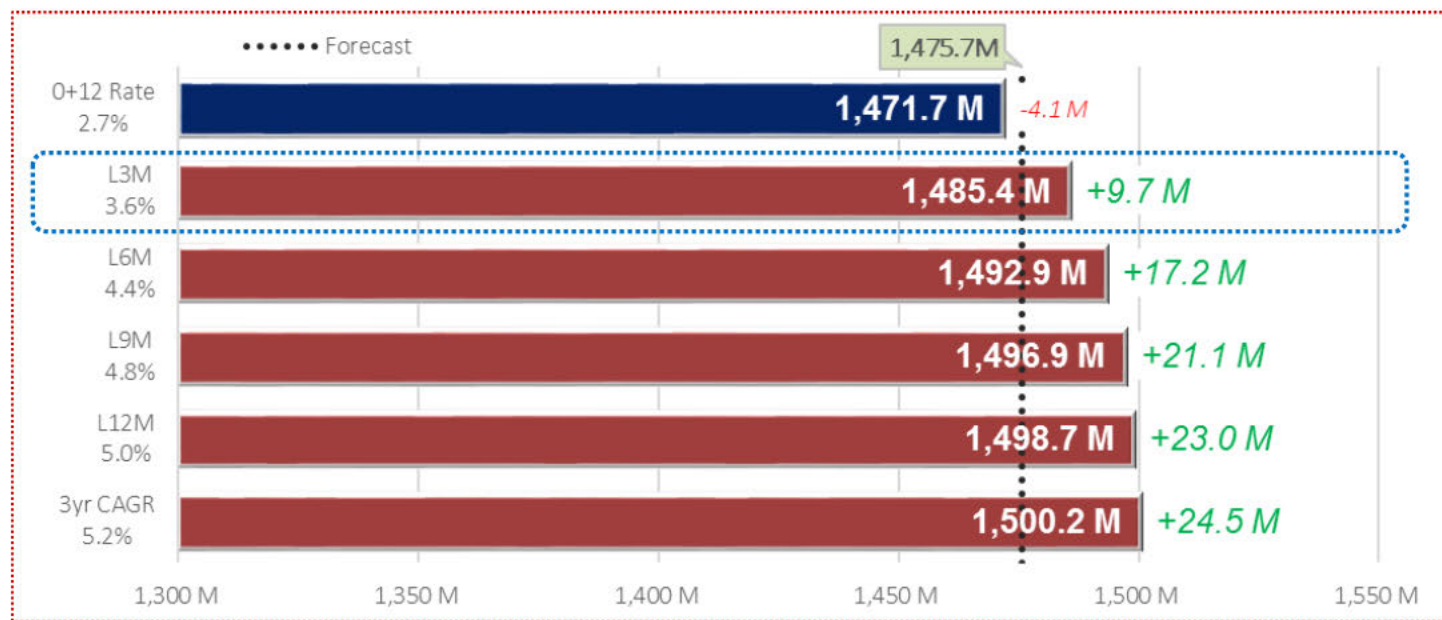


- Normalized Year-over-Year Growth for base operations = +5.1%

Where is our “Risk” line in the sand?

- Trends support a more aggressive target for Slots; nearly +4% over prior year (*after adjusting for strike*)
- Trends are based on pre-strike results
- Projections assume Interior sites are on strike all of FP5

Potential upside in Slots –
but may need to consider
risk posed from strikes



Every 1% change creates approx. +/- 9.6M in Real Win

Let's check the scorecard...

➤ Summary of changes based on initial recommendations:

	5+7 Prelim (at FP4)	FY19 Right Sizing	Var.\$	Var.%	FY2018 Actuals	Var.\$	Var.%
Slots Real Win	1,485.4 M	1,475.7 M	9.7 M	0.7%	1,437.5 M	47.9 M	3.3%
Tables Win	483.4 M	512.7 M	(29.3 M)	-5.7%	511.1 M	(27.7 M)	-5.4%
Squeeze Tables	208.2 M	230.4 M	(22.2 M)	-9.7%	235.3 M	(27.1 M)	-11.5%
Non-Squeeze Tables	231.1 M	239.1 M	(8.0 M)	-3.3%	231.4 M	(0.3 M)	-0.1%
Poker	22.6 M	19.9 M	2.6 M	13.3%	21.8 M	0.8 M	3.7%
Linked Tables	21.6 M	23.2 M	(1.7 M)	-7.2%	22.7 M	(1.1 M)	-4.9%
Bingo Net of Prize	23.2 M	23.7 M	(0.6 M)	-2.4%	24.4 M	(1.2 M)	-4.8%
Base Business (before deductions)	1,992.0 M	2,012.2 M	(20.1 M)	-1.0%	1,973.0 M	19.1 M	1.0%

One Strike out, and new batters on deck

- **Okanagan:** already factored in 4 additional weeks of job action (FP5). How much longer do we guess this will continue?

\$1.2M per week impact
\$-4.8M added for FP5

Using Hard Rock duration (74d) as proxy; *could drop another \$2.7M (ending Sept 10)*

- Risk for Starlight and Grand Villa strikes once Okanagan resolved?

Starlight estimate:
\$-925K / week
-\$9.7M if same length as Hard Rock

Hard Rock loss: -23.4M
Region loss: -12.5M
Approx. \$-1.1M total / week

Grand Villa estimate:
\$-1.6M / week
-\$16.8M if same length as Hard Rock

If we lose both Sites, how likely will Region be able to absorb losses at the same rate?

Where do we go from here?

- We also need to consider FY20+ growth reasonability
- Future growth of base is conservative. Nearly all incremental growth comes from Business Cases

	5+7 Prelim (at FP4)	FY20 Rates	FY20 5+7 Prelim	FY20 Right Sizing	Var.\$	Var.%	Impact of 1% change
Slots Real Win	1,485.4 M	0.9%	1,498.8 M	1,489.4 M	9.4 M	0.6%	15.0 M
Tables Win	483.9 M	0.1%	484.4 M	513.2 M	(28.8 M)	-5.6%	4.8 M
Squeeze Tables	208.2 M	0.0%	208.2 M	230.4 M	(22.2 M)	-9.7%	2.1 M
Non-Squeeze Tables	231.6 M	0.4%	232.5 M	240.0 M	(7.5 M)	-3.1%	2.3 M
Poker	22.6 M	-2.0%	22.1 M	19.5 M	2.6 M	13.3%	0.2 M
Linked Tables	21.6 M	0.0%	21.6 M	23.2 M	(1.7 M)	-7.2%	0.2 M
Bingo Net of Prize	23.2 M	0.0%	23.2 M	23.7 M	(0.6 M)	-2.4%	0.2 M
Base Business (before deductions)	1,992.5 M	0.7%	2,006.4 M	2,026.3 M	(19.9 M)	-1.0%	20.1 M

Most future rates
were flat (0%).

Exceptions:

- FY21: +0.4% Non-Squeeze; -2% Poker
- FY22: +\$5M (+0.3%) to Slots

The Pipeline delivers

- Biggest lifts scheduled is FY19 (full-year of Parq; Victoria) and the New Delta site lift in FY21 & FY22 (full-year)

Specific Site Initiatives	Start
Cascades Penticton	FP1-2018
Parq Vancouver	FP7-2018
River Rock Expansion	FP11-2018
Elements Victoria	FP1-2019
Stadium Gaming (NEW!)	FP7-2019
Mission Expansion (NEW!)	FP7-2020
New Delta Facility	FP7-2021

Province-wide Initiatives	Start
New Encore (R2)	FP6-2019
Service Provider Free Play	FP1-2018

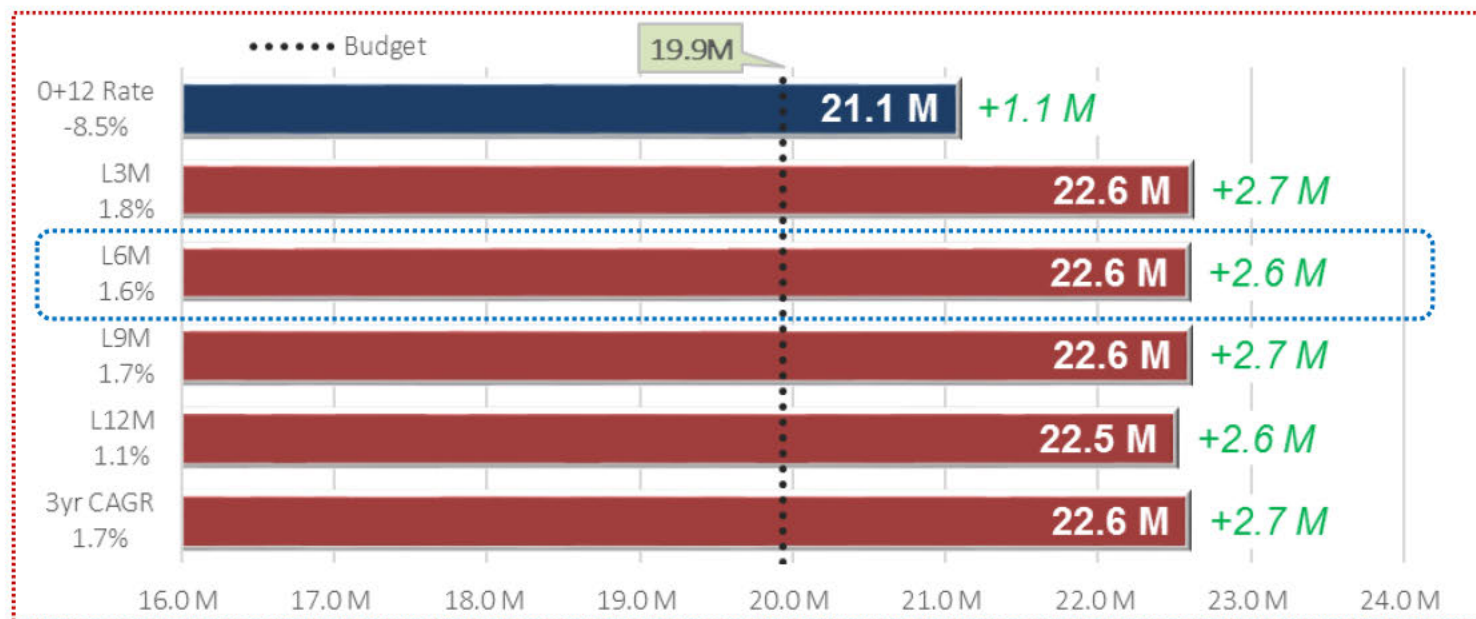
Next Steps

- Summarize takeaways
- Assess impact of OSA timing for remaining SPs
- Roll in deductions, direct cost (due Aug 24th) changes
- Rollup impact of recommended changes
- Sept 14th Alignment with Brad and directors

Appendix

Keep missing Poker's tells..

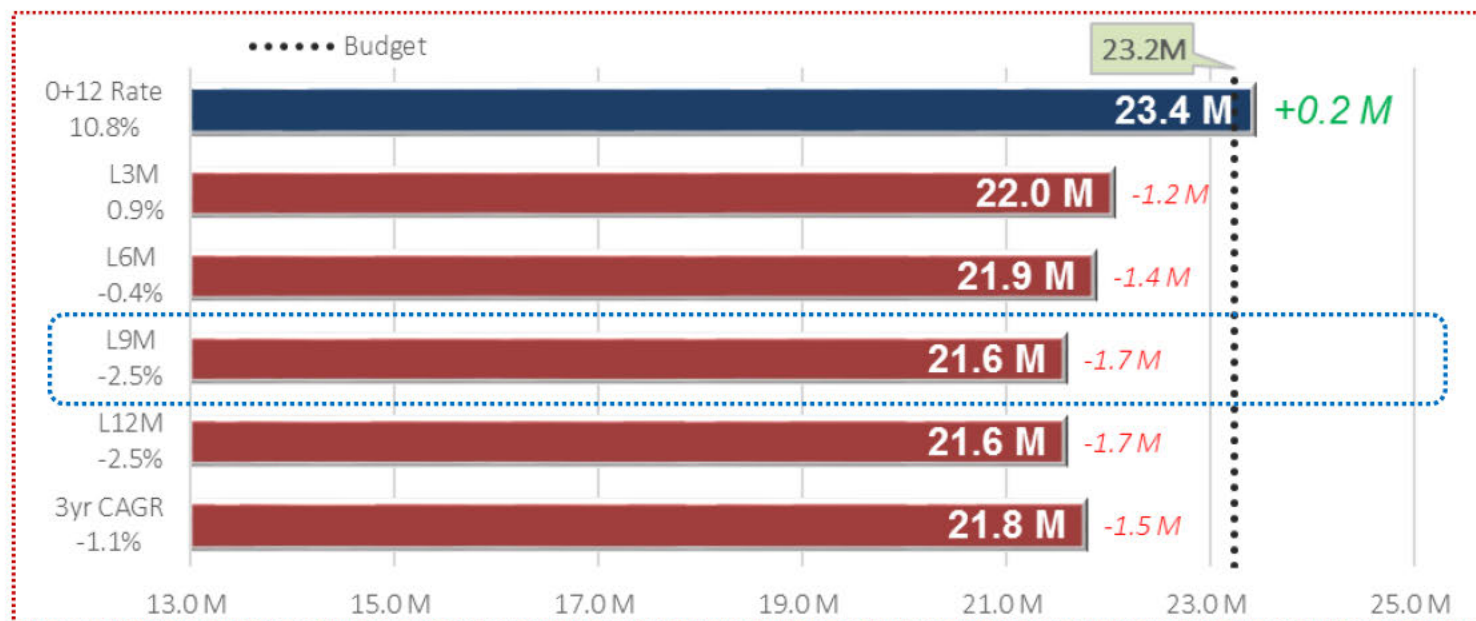
- Poker had several years of footprint reduction; completely removed from some sites
- Still performing well at remaining sites (*rates based on max growth of +5%; overall growth is above that*)
- No change at 0+12; Budget based on expected decline in FY2018



Every 1% change creates approx. +/- 100K in Win

Linked Tables' reversal of fortune

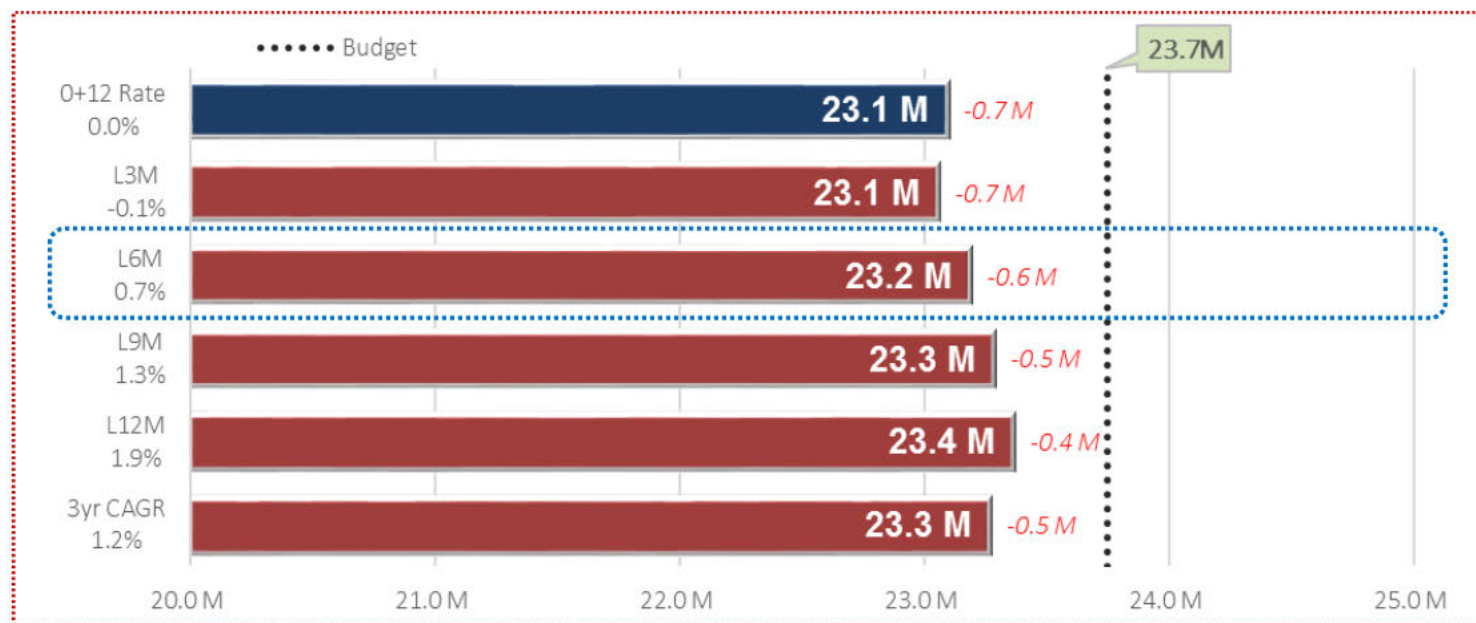
- Linked tables grew consistently for a long period of time, but with introduction of new machines results slowed in FY2018
- No change at 0+12; Budget based on expected growth in FY2018
- Hold was favourable (masking Drop issues)



Every 1% change creates approx. +/- 100K in Win

If only sites would stop closing...

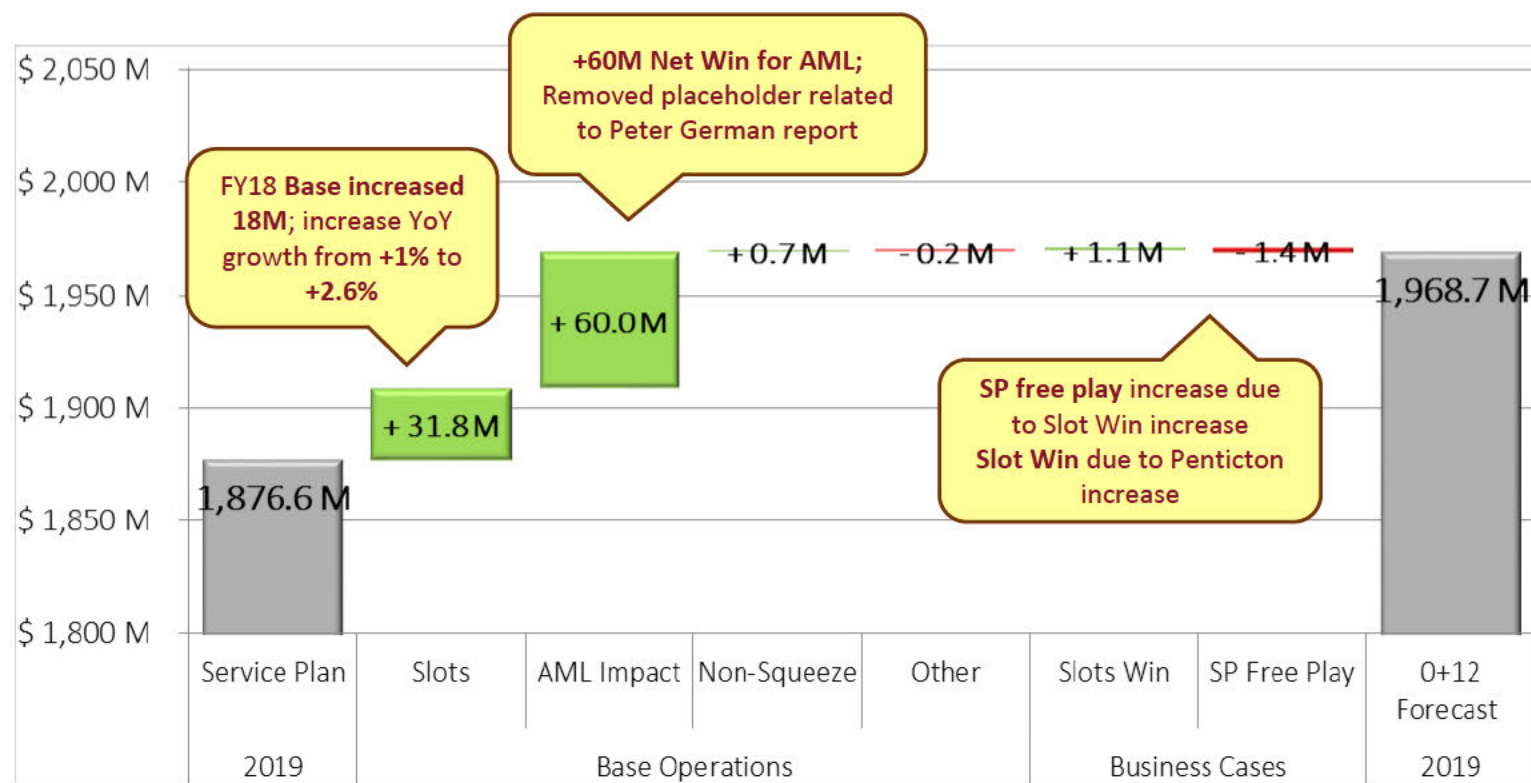
- Bingo is down year-over-year, but growth is actually positive for the surviving sites
- No change at 0+12;
Budget based on
continuing operations at
Newton



Every 1% change creates approx. +/- 200K in Win

How did the Budget evolve to 0+12?

- Two main changes to Service Plan: resetting Base for Slots and increasing YoY growth; and removal of AML Impact from Squeeze Tables



The Pipeline delivers

- Biggest lifts scheduled is FY19 (full-year of Parq; Victoria) and the New Delta site lift in FY21 & FY22 (full-year)

Specific Site Initiatives	Start	Slots	Squeeze	Other Tables
Cascades Penticton	FP1-2018	Yes	No	No
Parq Vancouver	FP7-2018	Yes	Yes	Yes
River Rock Expansion	FP11-2018	Yes	No	No
Elements Victoria	FP1-2019	Yes	No	Yes
Stadium Gaming	FP7-2019	???	No	Yes
Mission Expansion	FP7-2020	Yes	No	No
New Delta Facility	FP7-2021	Yes	???	???
Province-wide Initiatives	Start	Slots	Squeeze	Other Tables
New Encore (R2)	FP6-2019	Yes	No	No
Service Provider Free Play	FP1-2018	Yes	No	Yes

VIP Table Split

	DROP	DROP	DROP	DROP	DROP
	Grand Villa	Starlight	Parq	Hard Rock	River Rock
	BUC	NEC	VCC	CQC	RIC
AVG SINCE VIP START	2.5%	2.4%	26.2%	1.1%	55.9%
MEDIAN PROPORTION	0.8%	0.0%	25.1%	0.0%	54.0%
HIGHEST PROPORTION	11.8%	20.6%	43.8%	7.0%	67.9%
LOWEST PROPORTION	0.0%	0.0%	5.6%	0.0%	45.8%

Kevin Simcoe

From: Rob Kroeker
Sent: August-29-18 10:02 AM
To: Lara Gerrits; Jim D. Lightbody; Susan Dolinski; Amanda Hobson
Cc: Abigail Ma; John Karlovcec
Subject: RE: Revised financial impacts/German messaging

Looks good to me. Great work. Thanks.

From: Lara Gerrits
Sent: August-29-18 10:00 AM
To: Jim D. Lightbody ; Susan Dolinski ; Rob Kroeker ; Amanda Hobson
Cc: Abigail Ma ; John Karlovcec
Subject: Revised financial impacts/German messaging

Hi All,

John K and I have discussed the source of funds messaging and I've made a few tweaks. Also, I'm recommending a slightly adjusted message re: potential revenue impacts that provides more context that revenue can be impacted by a variety of factors (i.e. labour action and overall trends) given some SP messaging to investors on this matter (i.e. Dundee reported that initial ramp up of operations at Parq has been slowed due to a number of factors, including new AML regulations).

Here are the revised messages which I'd like to send up to government by **10:30 a.m.** Please let me know if you have any concerns.

- **BCLC continues to monitor and track projected revenue across its business channels, which can be impacted by a variety of factors and trends. BCLC has not detected a significant change in revenue, to date, as a result of fully implementing Dr. Peter German's interim recommendation, by requiring Service Providers to gather detailed information on the source of player funds for all transactions of \$10,000 or more.**
- **Effective January 10, 2018, all cash and bank draft / certified cheque buy-ins for \$10,000 or more, in one or more transactions within a 24-hour period, require a source of funds receipt. The original receipt must show the financial institution, branch number and account number. Please see <https://corporate.bclc.com/media-centre/bclc-news/news-search/news-management/bclc-expands-source-of-funds-procedures-in-bc-gambling-facilities.html> for more information.**
- **BCLC reviews the required source of funds information on an ongoing basis, while providing guidance to Service Providers to ensure compliance with robust policies and procedures that maintain the integrity of gambling in B.C.**
- **BCLC remains committed to implementing Government's response to recommendations arising from Dr. German's independent review of anti-money laundering policies and practices in Lower Mainland casinos.**

Thanks,

Lara

Lara Gerrits

Manager, Media & Issues Management
BCLC, 2940 Virtual Way, Vancouver, B.C., V5M 0A6
T 604 228 3066 C s 17(1)

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Jim D. Lightbody
Sent: August-28-18 5:30 PM
To: Susan Dolinski <SDolinski@BCLC.com>; Lara Gerrits <LGerrits@bclc.com>; Rob Kroeker <RKroeker@bclc.com>; Amanda Hobson <AHobson@bclc.com>
Cc: Abigail Ma <AMa@BCLC.com>; John Karlovcec <JKarlovcec@bclc.com>
Subject: RE: financial impacts from German interim recommendation

Lara;
Please talk to Rob before sending.
Thanks,
Jim

From: Susan Dolinski
Sent: Tuesday, August 28, 2018 4:43 PM
To: Lara Gerrits <LGerrits@bclc.com>; Jim D. Lightbody <JDLightbody@bclc.com>; Rob Kroeker <RKroeker@bclc.com>; Amanda Hobson <AHobson@bclc.com>
Cc: Abigail Ma <AMa@BCLC.com>; John Karlovcec <JKarlovcec@bclc.com>
Subject: RE: financial impacts from German interim recommendation

Good by me, Lara. Thanks

Susan Dolinski
Vice President, Social Responsibility & Communications
BCLC

2940 Virtual Way, Vancouver BC V5M 0A6
T 604-228-3096 F 604-225-6422 C s 17(1), s 22

sdolinski@bclc.com
bclc.com

Last year, more than \$1 billion generated by BCLC gambling supported health care, education and community groups across B.C.

From: Lara Gerrits
Sent: August 28, 2018 4:19 PM
To: Susan Dolinski <SDolinski@BCLC.com>; Jim D. Lightbody <JDLightbody@bclc.com>; Rob Kroeker <RKroeker@bclc.com>; Amanda Hobson <AHobson@bclc.com>
Cc: Abigail Ma <AMa@BCLC.com>; John Karlovcec <JKarlovcec@bclc.com>
Subject: RE: financial impacts from German interim recommendation
Importance: High

Hi All,

We have received a request from s 22 re: financial impacts as a result of implementing Dr. German's interim recommendation, as well as if BCLC provides "help" to SPs in implementation of the recommendation. Below is my proposed response – please let me know if you have any concerns/edits.

Also, as background, the reporter has also asked GPEB if its investigators are now operating 24/7 in casinos and if government can comment on potential revenue impacts of the interim recommendations.

- BCLC has not detected a significant change in revenue as a result of fully implementing Dr. Peter German's interim recommendation, by requiring Service Providers to gather detailed information on the source of player funds for all transactions of \$10,000 or more. BCLC continues to monitor and track projected impacts on revenues.
- Effective January 10, 2018, all cash and bank draft / certified cheque buy-ins for \$10,000 or more, in one or more transactions within a 24-hour period, require a source of funds receipt. The original receipt must be from the same day of the transaction and show the financial institution, branch number and account number. Please see <https://corporate.bclc.com/media-centre/bclc-news/news-search/news-management/bclc-expands-source-of-funds-procedures-in-bc-gambling-facilities.html> for more information.
- BCLC reviews the required source of funds information on a daily basis, while providing ongoing guidance to Service Providers to ensure compliance with robust policies and procedures that maintain the integrity of gambling in B.C.
- BCLC remains committed to implementing Government's response to recommendations arising from Dr. German's independent review of anti-money laundering policies and practices in Lower Mainland casinos.

If you could please provide any feedback by 10 a.m. tomorrow (Wednesday, August 29), that will enable us to coordinate with Government and meet the reporter's afternoon deadline.

Cheers,

Lara

Lara Gerrits

Manager, Media & Issues Management
BCLC, 2940 Virtual Way, Vancouver, B.C., V5M 0A6
T 604 228 3066 C s 17(1)

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Susan Dolinski

Sent: August-28-18 3:09 PM

To: Jim D. Lightbody <JDLightbody@bclc.com>; Rob Kroeker <RKroeker@bclc.com>; Amanda Hobson <AHobson@bclc.com>

Cc: Lara Gerrits <LGerrits@bclc.com>

Subject: FW: financial impacts from German interim recommendation

FYI – Lara is working with Abby and will circulate something for review.

Susan Dolinski

Vice President, Social Responsibility & Communications
BCLC

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T 604-228-3096 F 604-225-6422 C s 17(1), s 22

sdolinski@bclc.com
bclc.com

Last year, more than \$1 billion generated by BCLC gambling supported health care, education and community groups across B.C.

From: Lara Gerrits

Sent: August 28, 2018 3:07 PM

To: Abigail Ma <AMa@BCLC.com>

Cc: BCLC Media Relations <MediaRelations@bclc.com>; John Karlovcec <JKarlovcec@bclc.com>; Susan Dolinski <SDolinski@BCLC.com>

Subject: financial impacts from German interim recommendation

Hi Abby,

We've had a request from s 22 regarding if we have noticed any revenue impacts from the implementation of Dr. German's interim recommendation re: source of funds declarations. The reporter claims that GCGC and Parq (through Dundee) have announced that revenues *have* been impacted – but I can't find this specifically in their Q2 financial results (released mid August).

We have the below key messages, but checking to see if there is anything more specific we can provide at this point from a financial perspective...

- **BCLC has not detected a significant change in revenue as a result of fully implementing the interim recommendations from the German report. As the Province works towards implementing the report's recommendations, BCLC will continue to monitor and track projected impacts on revenues.**
- **BCLC remains committed to implementing government's response to recommendations arising from the Peter German review of money laundering in British Columbia casinos.**

Cheers,

Lara

Lara Gerrits

Manager, Media & Issues Management
BCLC, 2940 Virtual Way, Vancouver, B.C., V5M 0A6
T 604 228 3066 C s 17(1)

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

Kevin Simcoe

From: Amanda Hobson
Sent: August-29-18 2:17 PM
To: Lara Gerrits; Susan Dolinski; Jim D. Lightbody
Subject: FW: Q1 text - bclc

See below final draft we sent out. Will keep you posted if I hear of MoF changes.

From: Harder, Derrick AG:EX
Sent: Wednesday, August 29, 2018 2:16 PM
To: Amanda Hobson
Cc: Scott, Douglas S AG:EX
Subject: RE: Q1 text - bclc

Thank you! Much appreciated.

Now we will see how much finance chews it up ☺

From: Amanda Hobson [<mailto:AHobson@bclc.com>]
Sent: Wednesday, August 29, 2018 2:15 PM
To: Harder, Derrick AG:EX
Cc: Scott, Douglas S AG:EX
Subject: RE: Q1 text - bclc

Just a couple of minor tweaks to clarify that revenue is net of prizes and that the increase is a Y-O-Y increase vs. an increase from the previous submission:

In preparing revenue projections for 2018/19, assumptions were made for the potential fiscal impact of anti-money laundering measures. Those assumptions have been adjusted following the release and successful early implementation of Dr. Peter German's interim and final recommendations. The **year-over-year** increase in projected BCLC revenue **net of prizes** reflects increases in revenue from slots (\$47m), table games (\$16m), due in part to revenue from the first full year of operation at Parq casino, as well as online gaming (\$12m) and lottery (\$3m)

From: Harder, Derrick AG:EX <Derrick.Harder@gov.bc.ca>
Sent: Wednesday, August 29, 2018 2:07 PM
To: Amanda Hobson <AHobson@bclc.com>
Cc: Scott, Douglas S AG:EX <Douglas.S.Scott@gov.bc.ca>
Subject: RE: Q1 text - bclc

Below in red -

In preparing revenue projections for 2018/19, assumptions were made for the potential fiscal impact of anti-money laundering measures. Those assumptions have been adjusted following the release and successful early implementation of Dr. Peter German's interim and final recommendations. The increase in projected ^{s 13(1)} **BCLC** revenue reflects increases in revenue from slots (\$47m), ^{s 13(1)} **table games (\$16m), due in part to revenue from the first full year of operation at Parq casino,** as well as online gaming (\$12m) and lottery (\$3m)

From: Amanda Hobson [<mailto:AHobson@bclc.com>]
Sent: Wednesday, August 29, 2018 2:01 PM
To: Harder, Derrick AG:EX

Cc: Scott, Douglas S AG:EX
Subject: RE: Q1 text - bclc

Hi Derrick,

May I suggest the following (more high-level) statement:

In preparing revenue projections for 2018/19, assumptions were made for the potential fiscal impact of anti-money laundering measures. Those assumptions have been adjusted following the release and successful early implementation of Dr. Peter German's interim and final recommendations. The increase in projected^{s 13(1)} BCLC revenue reflects increases in revenue from slots (\$47m), ^{s 13(1)} table games (\$16m) as well as online gaming (\$12m) and lottery (\$3m) .

Let me know if you would like to discuss.

Regards,

Amanda Hobson

CFO and VP, Finance and Corporate Services
BCLC, 74 Seymour St W, Kamloops BC V2C 1E2
T 250 828 5599 M s 17(1), s 22

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Harder, Derrick AG:EX <Derrick.Harder@gov.bc.ca>
Sent: Wednesday, August 29, 2018 1:07 PM
To: Amanda Hobson <AHobson@bclc.com>
Cc: Scott, Douglas S AG:EX <Douglas.S.Scott@gov.bc.ca>
Subject: FW: Q1 text - bclc

Hi Amanda –

Is this text below accurate for the Q1 release?

Thanks!

From: Smith, George AG:EX
Sent: Wednesday, August 29, 2018 1:03 PM
To: Harder, Derrick AG:EX
Subject: RE: Q1 text - bclc

Please have highlighted addition reviewed and, if details confirmed, replace entire current text with:

In preparing revenue projections for 2018/19, assumptions were made for the potential fiscal impact of anti-money laundering measures. Those assumptions have been adjusted following the release and successful early implementation of Dr. Peter German's interim and final recommendations. The increase in projected^{s 13(1)} reflects increases in revenue from slots (\$47m),^{s 13(1)} as well as online gaming (\$12m) and lottery (\$3m) .

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