

AML Compliance & Analytics Enhancement Project Business Case

Fiscal 2014/15

Version:

May 9, 2014
Final



- Business Case (Priority Programs approved by Executive & identified in Business Planning Guidelines)
- Refresh Business Case

2014-15 Name: AML & Business Intelligence

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Sponsor: Brad Desmarais

Prepared by: John Karlovcec

Contributors: Ranj Panikkar; Julie Ryan; Steen Bray; Dmytro Sotnykov

SEE APPENDIX FOR PRINCIPLES & INSTRUCTIONS

EXECUTIVE SUMMARY FOR

(AML) Business Case (keep to 1 page)

OBJECTIVES

Meet federal regulatory compliance requirements legislated by the Proceeds of Crime Money Laundering Terrorist Financing Act [PCMLTFA] which come into effect February 2014 as well as creating a flexible, scalable platform to address anticipated changes in regulatory and business requirements in the near future. These compliance requirements obligate all reporting entities such as BCLC to implement processes/procedures to perform ongoing due diligence with respect to AML transactional activity and patron behavioral monitoring. Implement an automated AML software solution which will provide a system of case management, records management and regulatory reporting while increasing the efficiency of current BCLC regulatory reporting and monitoring procedures which are essentially a manual process.

The Patron Value Optimization (PVO) component allows for the expansion from the desk top based analytic capabilities to a server based solution that meets the enterprise advanced analytics needs of the corporation. This is a critical foundation to provide permeate data driven solutions across BCLC.

BUSINESS VALUE

Allows BCLC as a reporting entity to meet federally legislated AML compliance requirements such as timelines for reporting and ongoing monitoring requirements as well addressing anticipated future regulatory and business requirements.

Mitigate threat of potential money laundering and other criminal activities to BCLC and Service Providers. Mitigate reputational damage that may be caused to BCLC as a result of non-compliance.

Develop efficiencies by automating present manual AML processes conducted by Casino Investigators which may require 60% - 70% of their working time.

May create a B2B opportunity as other gaming jurisdictions move towards an automated environment in a compliance market with few commercial alternatives

Creates the platform to develop robust forecasting (Forecast Studio) of product performance and optimization across the lines of business.

Provides an advanced analytic tool set that meets current needs and various future demands of the business.

Provides BCLC with a proven software tool that handles the exponentially growing size of our data effectively.

ORGANIZATIONAL IMPACT

Mitigates reputational damage that may be caused to BCLC as a result of regulatory non-compliance. Develop efficiencies by automating present manual AML processes conducted by Casino Investigators which may require 60% - 70% of their working time. Will support BCLC's efforts to meet or exceed AML regulatory compliance. Introduce an enterprise wide solution supporting various internal business lines.

Impacted groups: Corporate Security & Compliance – AML & Operational Analytics Unit– Business Intelligence Analyst – Trends Analyst - Casino Security & Surveillance Investigators, E-Gaming Investigators.

Casino Operations - Casino Analytics Group

Business Transformation – Project Manager

IT – IT lead, solutions architect, QA, Business systems analyst

SCENARIOS

Scenario 1. "Do nothing".

The scenario 'Do nothing' is not applicable for BCLC due to the high risks for reputation damage and consequent significant decrease in revenue as well as significant fines for non-compliance with Anti-Money Laundering regulations.

Scenario 2. Compliance with AML regulations by increase in FTE number, performing monitoring, analysis and investigations manually based on the information from the current software solutions.

(see Appendix 1 for NPV and Cash Flow Analysis)

In order to be compliant with the new AML regulations effective February 2014, BCLC will need to hire 40 FTEs to perform the needed procedures manually which amounts to \$3.623M in incremental operating costs annually. The assumption for the additional FTE requirements is presented in 'Assumptions' chapter on the page 11.

Scenario 3. Compliance with AML regulations by implementing SAS AML software solution.

(Recommended scenario)

In this scenario no additional FTEs are needed but the company needs to make capital investments into the software solution, implementation efforts, and hardware.

This scenario is recommended for the following reasons:

- More advanced technologically and allows BCLC not only to meet federally legislated AML compliance requirements but address anticipated future regulatory and business requirements
- Better NPV compared to the alternative scenario
- May create a B2B opportunity as other gaming jurisdictions move towards an automated environment in a compliance market with few commercial alternatives

In addition, the Patron Value Optimization (PVO) component has been included in this scenario because:

- There are shared components to be installed for AML; the incremental efforts to install and configure the PVO component are estimated at about 10% of the overall effort and the portion of the implementation costs is about 18% for management consulting
- Having access to the analytics toolset at the enterprise level will provide the AML team with additional investigative tools to analyze patterns and identify anomalies
- The casino analytics team captures transactional data that can be leveraged for AML analysis, and help to form a more complete picture of player activity

FINANCIAL SUMMARY

Scenario 3.

Recommended scenario

Compliance with AML regulations by implementing SAS AML software solution.

SAS PVO component (Patron Value Optimization) has been included in this scenario.

Table 1 Financial Summary and NPV analysis

	Net Win	New Operating (excludes Direct Costs, does not include operating internal labour costs)	New Capital (includes internal capital labour costs)
2014/15 Total (Before Tax)	\$ -	\$ 69,358	\$ 4,239,240
5 Year Total - (Project Costs Before Tax - Years 1 to 5)	\$ -	\$ 275,232	\$ 7,264,450
Ongoing Annual Costs (Before Tax)		\$ 54,958	\$ -
14/15 Temporary FTE Increase #	-		
14/15 Permanent FTE Increase #	-		
NPV (before Tax)	\$ (7,107,365)		
Net Cash Flow (before Tax)	\$ (7,539,682)		

(see Appendix 2 for Cash Flow analysis and Income Statement)

Table 2 The Project Budget

Capital Costs Breakdown

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Software licensing	2,690,360					2,690,360
Development Environment	309,000					309,000
Server hardware	-	500,000				500,000
Database		128,000				128,000
SAS Professional Services		1,530,240				1,530,240
Labour costs (contractors)	24,750	697,500	-	-	-	722,250
Labour costs (internal)	-	379,500	-	-	-	379,500
Travel costs	1,100	4,000				5,100
Contingency		1,000,000				1,000,000
Total	3,025,210	4,239,240				7,264,450

Operating Costs Breakdown

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Labour costs (contractors)	40,500	-	-	-	-	40,500
Labour costs (internal)	-	-	44,850	89,700	89,700	224,250
Travel costs	500					500
Training costs (vendor)		140,000	-	-	-	140,000
Internal training costs		20,700				20,700
Server maintenance			100,000	100,000	100,000	300,000
Database maintenance			25,600	25,600	25,600	76,800
Total	41,000	160,700	170,450	215,300	215,300	802,750
Internal labour (operating)	-	(20,700)	(44,850)	(89,700)	(89,700)	(244,950)
Savings in maintenance costs (desktop licensing renewal)	-	(70,642)	(70,642)	(70,642)	(70,642)	(282,568)
Reconciliation to NPV calculation	41,000	69,358	54,958	54,958	54,958	275,232

PROPOSAL

WHAT IS THE OPPORTUNITY OR PROBLEM DEFINITION

What is the business problem or opportunity to address?

BCLC's AML oversight is essentially a manual process which requires significant resources to meet regulatory compliance requirements on a daily basis. We are looking to identify technological solutions for overall AML compliance as well as address the new regulatory reporting obligations that come into effect Feb. 2014. Furthermore looking to enhance overall Investigator efficiency and mitigate potential reputational risk/damage that may be caused to BCLC due to regulatory non-compliance.

BCLC's capabilities and demands have outgrown its initial stage of developing advanced analytics. To meet the needs of the business, the current state of limited desk top licenses and capacity constraints, needs to be replaced with a more mature solution. The PVO solution provides BCLC with an enterprise analytic platform, the tools to meet all foreseeable advanced analytic needs, and the power to meet the demands of the Big Data opportunity

What are the high level business requirements?

Implement an enterprise wide solution, integrated with internal and external data feeds, to meet 'Know Your Customer' Fintrac requirements as well as ongoing monitoring of business relationships as dictated by the Proceeds of Crime Money Laundering Terrorist Financing Act. Provide a unified view of customer activity, allowing for analysis to identify suspicious behaviour patterns which can be further investigated and reported on. The solution will incorporate standardized workflows and predefined scenarios to automate the alerting and support investigation process for a wider range of suspicious activity than what is possible today with manual processes. Multi-channel initiatives which are currently underway may create new opportunities for patrons to utilize cash alternatives supporting BCLC's commitment to GPEB's requirement to reduce the reliance on cash in the industry. BCLC requires an automated toolset capable of detecting potentially suspicious transactions across various business channels.

What is in scope?

Acquire and implement SAS AML to provide:

- Case management via structured workflow
- Integration to OSINT data sources to assist with
 - Risk scoring and prioritization
 - Ongoing monitoring
- Automated FINTRAC reporting
- Audit reporting

The project will also deliver:

- Knowledge transfer to BCCLC staff to support and enhance the system
- Training to business users to use the new system

A roadmap for further extension / expansion of the SAS AML system to support more effective investigation processes. Essentially the roadmap is to move functionality currently in iTRAK into SAS AML and retire iTRAK. From a business perspective this contributes to having a 360 degree view of the player by putting the information that Corporate Security has about players into an enterprise environment, so it is aligned with Multichannel player. From a technology perspective it will also, in the long run, help to simplify our environment by eliminating a system nearing end of life and moving its functionality into an enterprise system. The project scope includes developing the required data integrations to existing systems to support the in-scope items.

This project will bring new capabilities to the organization, allowing for more effective use of investigators time and ensuring compliance with regulations, and will also deliver a roadmap for Corporate Security to expand the use of SAS AML with improved data quality and additional integrations.

Also, the PVO component will allow for the expansion of existing capabilities (such as predictive modelling) beyond the Casino division. It will provide new platforms to expand these capabilities to allow for increased accuracy in forecasting and optimization of products within our facilities.

What is out of scope?

Improving data quality by changing the way LCTs (and other data) are captured (assessed in subsequent phases)

Business process changes to Casino surveillance.

Obtaining 3rd party OSINT data (the business is pursuing this as a separate initiative).

Integration of data feeds that are not essential for AML reporting (LPR, Slots, GMS, eGaming to be addressed in subsequent phases).

Changes to upstream systems (such as iTrak) to improve data quality (to be addressed in subsequent phases).

Developing Policy.

Developing or delivering organizational training (other than the training to IT and business users required to use and support the system).

RECOMMENDED SOLUTION & RATIONALE (HOW WILL IT BE DONE)

The Anti-Money Laundering (AML) and Operational Analytics Unit's road map is aligned with utilizing enterprise technology and service agreements that BCLC currently has. This supports BCLC's Enterprise Business Intelligence and Business Analytics (BI BA) strategy. In order to exceed federal compliance regulations in 2014, BCLC requires an automated solution in order to perform ongoing due diligence and AML transactional monitoring. SAS AML software can serve both of these requirements as well as provide case management, records management and regulatory reporting. The case management portion provides a workflow environment that will positively increase the efficiency of BCLC processes. SAS AML software provides BCLC with industry expertise and best practice methodology.

Major financial institutes in Canada utilize SAS products (BMO, HSBC, ING, RBC, Scotiabank, TD, and Laurentian). In order to 'Know Your Customer' for AML purposes it is important to understand certain parameters like; the transactions that a patron makes at a casino, the type of behaviour a patron demonstrates while at a casino, and generally a patron's background based on publicly available information. All of these parameters can be analyzed, managed and unified within SAS so we can know our customers better. Future integration with SAS AML software can include eGaming activities so that fraud detection and due diligence practices are amplified. FINTRAC intends to expand the scope of the current requirements for bricks and mortar casinos to include online casino gaming. The significance of the transition to SAS AML in this context is that it will position us to meet this change too.

MEASURES OF SUCCESS / STRATEGY

The Anti-Money Laundering project is one of the key components in BCLC's strategy to increase public trust in the company and to assure that BCLC is doing business in a fair, safe and responsible manner.

GOAL	OBJECTIVE	STRATEGY	KPI	TARGET
PUBLIC	Demonstrate integrity in what we deliver and how we deliver it so that the public has confidence that our business is fair, safe and well-managed	Co-ordinate the many activities which contribute to our corporate reputation, with a focus on key operating communities	Increase public trust in BCLC	BCLC fines due to non-compliance with AML regulations are equal to zero
PROFIT		Build our business intelligence and analytics	Achieve 2014/15 Budgeted Net Income	<ul style="list-style-type: none"> • Project costs are within the budget • No increase in FTE number to be compliant with new AML regulations • No additional FTEs to the one considered in the business case for combined AML+PVO system support in post-implementation period

Criticality To Corporate Strategy

This initiative will contribute directly to maturing the one of the five core capabilities identified in corporate strategy: strategic relationship management. FINTRAC is a key stakeholder for BCLC and this initiative will contribute to maintaining and enhancing our compliance with Federal legislative requirements.

The initiative will also contribute to the maturation of a second core capability: customer understanding. It will enhance our understanding of a sub-set of our customer base and help to differentiate between customer behaviours that are suspicious and warrant investigation and customer behaviours that while reportable are not suspicious and may be more indicative of a high value customer with whom we wish to build a relationship.

OTHER MEASURES OF SUCCESS: When the proposal has been implemented, what other specific indicators can be measured to determine the level of success?

Players:

- Provides ongoing monitoring of patrons with whom BCLC & SP have established a business relationship as defined by the PCMLTFA Regulations. Supports "Know Your Customer Principles" as dictated by Fintrac guidelines & regulatory requirements. Enhances player/patron tracking capabilities.
- Optimization of products & Promotions to increase entertainment value to Patrons

Vendors:

- Successful vendor will provide BCLC IT with critical support of software implementation.

Service Providers:

- As first line of defence will be provided enhanced AML training as it relates to new regulatory requirements thereby increasing their AML knowledge base.

BCLC People:

- Automation will create efficiencies for investigators and allow for focus on investigations rather than manual/clerical type work
- Provides new skills, business efficiencies, and innovation to BCLC (e.g. this is the platform for change)

Public:

- BCLC's reputation will be maintained and strengthened through enhanced automated AML oversight thereby mitigating potential reputational damage thereby reinforcing public trust and confidence.

Stakeholders:

- Erase inaccurate perception that Casinos (and to a lesser degree eGaming) are vulnerable to large scale money laundering and other criminal activities.
- Mitigates potential for significant monetary penalties being levied for non-compliance in relation to reporting requirements thereby directing revenues to government for allocation where required.

Profit:

- Robust analytics may help drive revenues by providing predictive analysis of player spending habits.
- Forecasting & optimization provide significant opportunity for new revenue streams and cost efficiencies

BUSINESS CASE ASSUMPTIONS

The following table summarizes assumptions made in the development of the business case:

Assumption Area	Assumption
Financial General	Discount Rate of 10% was used in NPV calculation. FY14 has been used as year 0 in the NPV calculation. NPV is calculated over 4 years period (FY14 is year 0).
	GST was included at 10% and PST was included at 7% in all years for all costs.
	Implementation period is assumed as February 2014 to March 2015 with the first implementation phase to be completed by November 2014.
	Business case does not assume increase in revenue and mitigates possible negative revenue impact due to both reputation damage risk and a risk of being fined for non-compliance to the current anti-money laundering legislation.
Revenue	There is a risk of decrease in Net Win due to implementation of more rigorous monitoring principles. However, the likelihood and magnitude of the risk are considered as 'low' and no revenue adjustments are needed.
	PVO is an enablement project and therefore the Business Case is not capturing any incremental revenue.
	Considering that the final scope of work and the solution architecture is being developed now and the implementation contract with SAS has not been negotiated yet, contingency funding of \$1,000,000 (16%) has been applied to capital costs to cover possible variances.
Capital Costs	BCLC's Capital Asset Policy (approved in Oct 2012) is the basis for the capitalization of BCLC labour costs for the project life cycle.
	AML/PVO software licensing for the 5-year contract is to be capitalized in the first year and will be amortized over 5-year period according to 'Multi-year licensing' type of the SAS licenses.
	Resource rates used: Internal labour: \$89,700 (annual) for Professional (range 4-5) and \$125,000 (annual) for Management (range 6-7) salary ranges. Contractors: \$120/hr. for Project Manager; \$100/hr. for Business Analyst, Network Analyst, and Senior Programmer Analyst.
	It is assumed that SAS travel and accommodation expenses are included in Architectural Consulting in amount of 20% of base budget SAS professional services.
	Ongoing system support costs in post-implementation period (after March 2015) are planned as 1 FTE of Professional (range 4-5) salary range.
Operating Costs	AML/PVO annual server and database maintenance costs are assumed as 20% of initial purchase costs.

Assumption Area	Assumption
Incremental Permanent Labour for Scenario #2	<p>The calculation of additional FTEs is based on the number of Large Cash Transactions which have not been reviewed in 2013 as well as on anticipated increase in workload due to more rigorous regulations.</p> <p>Non-big 5 facilities account for 2% of all SFT (suspicious financial transaction) reports and the current number of casino investigators is sufficient to achieve full compliance with the new regulations.</p> <p>9 casino investigators processed 100% of the suspicious financial transactions of big 5 casinos (River Rock, Hard Rock, Grand Villa, Starlight and Edgewater) but only 10% of LCTs have been properly reviewed due to lack of resources. It took approximately 60% of casino investigators working time (slightly less than a half of it dedicated to LCTs review) which is equivalent to 5.4 FTE. The review was performed according to the old AML regulations.</p> <p>To review 100% of LCTs according to the old AML regulations an addition of 22 FTEs is needed. Increased AML level of documentation and work associated with the new regulations and the LCT review demand 18 additional FTEs to be in full compliance.</p> <p>The total additional FTE number the company would hire if the case did not go forward is 40.</p>
Technology Solution	<p>The SAS solution will provide the following capabilities:</p> <ul style="list-style-type: none"> • Case management through structured workflow and alerts • Ongoing monitoring of suspicious transactions • Risk scoring and prioritization • Regulatory reporting • Advanced forecasting capabilities • Model transactional level behaviour • Automation of existing manual processes
Human Resources	No HR impacts are anticipated from this project.
Dependencies	SAS provides BCLC with a discount on a bundle purchase of AML and PVO products.

IMPLEMENTATION: HOW...WHEN & WHY... HOW LONG

Implementation Requirements:

- BCLC has an existing relationship with SAS, which will be expanded through this project
- SAS Professional Services will be engaged to work with the BCLC project team to ensure appropriate design, configuration, implementation & training
- The problem and solution domains are well understood. Once the agreement to purchase the software is executed, implementation will begin immediately

Is the opportunity time-sensitive?

- Yes new Proceeds of Crime Money Laundering Terrorist Financing Act [PCMLTFA] Regulations come into effect Feb. 1, 2014.

What is the duration of the project? Provide high level timing estimates, and latest estimated finish date.

- Road Map indicates 12 – 18 months
- The first implementation phase should be complete by November 2014. This will include installation of the base AML product and configuration of workflows and alerting for several scenarios. Subsequent phases to implement additional functionality may extend beyond this time frame.

DOES THE PROPOSAL INVOLVE COLLECTION OF PERSONAL INFORMATION?

Personal information is already being collected as part of AML client identification regulatory requirements for Fintrac reporting. We take our guidance from Fintrac guidelines. Measures are already in place to meet privacy requirements.

An Information and Privacy Security Assessment (IPSA) will be included in the requirements phase of the project to ensure any new use of information is understood and within guidelines.

WHAT ARE THE POTENTIAL IMPACTS OF THIS PROJECT?

Risk:

- If BCLC and SAS are unable to deliver and support the project and results to meet regulatory compliance requirements as set out in the AML Road Map as dictated by Federal legislation AML issues arising may not be identified or reported and potentially money laundering/criminality could occur within our gaming facilities. Regulators may be critical of BCLC's approach. Negative media /social media stories may emerge that could damage BCLC's reputation. BCLC, service providers and/or facilities could be brought into disrepute.

People – Change Management:

- The changes required will impact current processes significantly. The implementation of SAS will automate and standardise many existing manual processes. Current users will be required to transition from an existing system to a new system.

- Anecdotal evidence indicates current ways of working are not consistent and there is disagreement among the surveillance stakeholder group on optimal working processes.
- Workload should decrease with increased automation – it is recommended that a stakeholder analysis and change impact assessment be conducted to document and assess the degree of change for each impacted stakeholder group.
- The number of stakeholders impacted is approximately less than 150.

Technology:

- A new system will be implemented requiring a significant communication, education and training effort. Ease of use and complexity of the new solution is unknown.

Corporate Social Responsibility (CSR):

- Business case was reviewed from a CSR perspective and no concerns were identified.

WHAT HUMAN RESOURCES ARE NEEDED?

BCLC's starting position is to work within existing budgeted staffing complements. Therefore, allocation of resources will need to be facilitated with existing staffing levels or temporary external resources.

Some things to consider in your planning:

- Do existing staff have the skillset required for this initiative and ongoing operations afterwards, either within your department or in the organization?
- If using existing resources, what work will need to be distributed elsewhere or eliminated to adequately staff this initiative?
- If existing staff do not have the necessary skillset, can they be trained or will external skills be required?
- If you need new skills, what existing resources are no longer required?
- If bringing in a temporary contract resource:
 - How long will the resource be required?
 - How will you transfer their skillset to existing employees in preparation for their departure?

Once you have completed the financial analysis section, use the information from it to summarize your human resources requirements in the table below:

FTE AND CONTRACT RESOURCES (5 YEARS SUMMARY)

Year	Fiscal Year	# of FTE				# of Contractors
		Existing (internal FTEs)	To Recruit Externally (Incremental) (1)	Savings (2)	Incremental Less Savings (1 - 2)	
0	2013/14	0.0	-	-	-	0.3
1	2014/15	4.5	-	-	-	3.5
2	2015/16	0.5	-	-	-	-
3	2016/17	1.0	-	-	-	-
4	2017/18	1.0	-	-	-	-
TOTAL		7.0				3.8

Detailed FTE and Contractor Requirements (FY2014-2018)

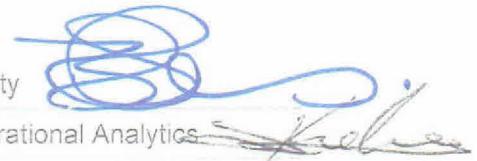
# of people (not FTE)	"T" - Temporary "P" - Permanent	"E" - Existing "T" - Temporary	"C" - Contractors	FTE	Skills	Division source of FTE/Contractor	Costs
Capital costs							
1	-	-	C	0.83	Project Manager	BT	193,500
1	-	-	C	0.83	Business Analyst	BT	161,250
1	-	-	C	0.50	QA	BT	75,000
1	-	-	C	0.50	Network Analyst	BT	97,500
1	-	-	C	0.50	Senior Programmer Analyst (ETL)	BT	97,500
1	-	-	C	0.50	Senior Programmer Analyst (ESB)	BT	97,500
Solutions Architect							
15-20	P	E	-	4.23	Information Security Analyst (CS & C) Business SME (CS&C, Casino)	CS & C C&CG	379,500
Total Capital costs				7.88			1,101,750
Operating costs							
1	-	-	C	0.17	Project Manager	BT	40,500
1	P	E	-	2.50	Senior Programmer Analyst Senior Systems Administrator	BT	224,250
3	P	E	-	0.23	SME (CS&C) Information Security Analyst Solutions Architect	BT CS & C	20,700
Total Operating costs				2.90			285,450
Total Contractors							
Total Internal FTEs				7.0			

Sign Off (Upon Completion)

Name and Title of:

Business Case Owner VP

Brad Desmarais VP Corporate Security

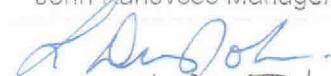


Business Case Owner

John Karlovcec Manager AML & Operational Analytics

Technology Director CIO

(infrastructure, technology)



Lynette DuJohn, CIO

Finance Director

(financial, risk analysis)



May 9, 2014.

HR Director

(people resources, skills, training)



APPENDIX 1

Scenario 2.

Compliance with AML regulations by increase in FTE number, performing monitoring, analysis and investigations manually based on the information from the current software solutions.

Incremental permanent labour represents 40 additional FTEs to be hired in order to be in compliance with the new AML regulations.

Table 4 Financial Summary and NPV analysis (as incremental to status quo)

	Net Win	New Operating (Excludes Direct Costs)	New Capital
2014/15 Total (Before Tax)	\$ -	\$ 3,623,300	\$ -
5 Year Total - (Project Costs Before Tax - Years 1 to 5)	\$ -	\$ 14,493,200	\$ -
Ongoing Annual Costs (Before Tax)		\$ 3,623,300	\$ -
14/15 Temporary FTE Increase #	-		
14/15 Permanent FTE Increase #	40.00		
NPV (before Tax)	\$ (11,485,373)		
Net Cash Flow (before Tax)	\$ (14,493,200)		

Table 5 Cash Flow analysis (as incremental to status quo)

	Year 13/14	Year 14/15	Year 15/16	Year 16/17	Year 17/18
GROSS REVENUES					
NET WIN	\$ -	\$ -	\$ -	\$ -	\$ -
DIRECT COSTS					
TOTAL DIRECT COSTS	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING COSTS					
Human Resources Costs					
Incremental Permanent Labour		\$ 3,623,300	\$ 3,623,300	\$ 3,623,300	\$ 3,623,300
TOTAL OPERATING COSTS	\$ -	\$ 3,623,300	\$ 3,623,300	\$ 3,623,300	\$ 3,623,300
TOTAL DIRECT AND OPERATING COSTS NET OF TAXES	\$ -	\$ 3,623,300	\$ 3,623,300	\$ 3,623,300	\$ 3,623,300
TAXES					
TOTAL TAXES	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL DIRECT AND OPERATING COSTS INCLUDING TAXES	\$ -	\$ 3,623,300	\$ 3,623,300	\$ 3,623,300	\$ 3,623,300
CAPITAL COSTS					
TOTAL CAPITAL COSTS	\$ -	\$ -	\$ -	\$ -	\$ -
TAXES					
TOTAL TAXES	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CAPITAL COSTS INCLUDING TAXES	\$ -	\$ -	\$ -	\$ -	\$ -
NET CASH FLOW BEFORE TAX	\$ -	\$ (3,623,300)	\$ (3,623,300)	\$ (3,623,300)	\$ (3,623,300)
NET CASH FLOW AFTER TAX	\$ -	\$ (3,623,300)	\$ (3,623,300)	\$ (3,623,300)	\$ (3,623,300)

APPENDIX 2

Scenario 3. Compliance with AML regulations by implementing SAS AML software solution.

(Recommended scenario)

In addition, the Patron Value Optimization (PVO) component has been included in this scenario.

Table 6 Scenario 3 Cash Flow analysis

Internal labour capital costs are included, internal labour operating costs are excluded

(Negative numbers in the cost element lines represent costs savings)

	Year 13/14	Year 14/15	Year 15/16	Year 16/17	Year 17/18
NET WIN	\$ -	\$ -	\$ -	\$ -	\$ -
DIRECT COSTS					
TOTAL DIRECT COSTS	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING COSTS					
Air Travel	\$ 500	\$ -	\$ -	\$ -	\$ -
Staff training	\$ -	\$ 140,000	\$ -	\$ -	\$ -
Equipment maintenance	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 100,000
Systems Support	\$ -	\$ -	\$ 25,600	\$ 25,600	\$ 25,600
Savings in maintenance costs	\$ -	\$ (70,642)	\$ (70,642)	\$ (70,642)	\$ (70,642)
Contractors	\$ 40,500	\$ -	\$ -	\$ -	\$ -
TOTAL OPERATING COSTS	\$ 41,000	\$ 69,358	\$ 54,958	\$ 54,958	\$ 54,958
TAXES					
Tax on Eligible Operating Costs	\$ 85	\$ 11,791	\$ 9,343	\$ 9,343	\$ 9,343
Tax on Contractor Costs	\$ 6,885	\$ -	\$ -	\$ -	\$ -
TOTAL TAXES	\$ 6,970	\$ 11,791	\$ 9,343	\$ 9,343	\$ 9,343
TOTAL DIRECT AND OPERATING COSTS INCLUDING TAXES	\$ 47,970	\$ 81,149	\$ 64,301	\$ 64,301	\$ 64,301
CAPITAL COSTS					
Air Travel	\$ 1,100	\$ 4,000	\$ -	\$ -	\$ -
Architectural Consulting	\$ -	\$ 2,530,240	\$ -	\$ -	\$ -
Equipment purchases	\$ -	\$ 500,000	\$ -	\$ -	\$ -
Software Licenses (initial)	\$ 2,999,360	\$ 128,000	\$ -	\$ -	\$ -
Human Resources Costs	\$ -	\$ 379,500	\$ -	\$ -	\$ -
Existing Labour	\$ -	\$ 697,500	\$ -	\$ -	\$ -
Contractors	\$ 24,750	\$ 697,500	\$ -	\$ -	\$ -
TOTAL CAPITAL COSTS	\$ 3,025,210	\$ 4,239,240	\$ -	\$ -	\$ -
TAXES					
Tax on Capital Costs	\$ 510,078	\$ 537,581	\$ -	\$ -	\$ -
Tax on Contractor Costs	\$ 4,208	\$ 118,575	\$ -	\$ -	\$ -
TOTAL TAXES	\$ 514,286	\$ 656,156	\$ -	\$ -	\$ -
TOTAL CAPITAL COSTS INCLUDING TAXES	\$ 3,539,496	\$ 4,895,396	\$ -	\$ -	\$ -
NET CASH FLOW BEFORE TAX	\$ (3,066,210)	\$ (4,308,598)	\$ (54,958)	\$ (54,958)	\$ (54,958)
NET CASH FLOW AFTER TAX	\$ (3,587,466)	\$ (4,976,545)	\$ (64,301)	\$ (64,301)	\$ (64,301)

Table 7 Income Statement

Internal labour capital costs are included (a part of amortization), internal labour operating costs are excluded.

(Negative numbers in the cost element lines represent costs savings)

	Year 13/14	Year 14/15	Year 15/16	Year 16/17	Year 17/18
NET WIN	\$ -	\$ -	\$ -	\$ -	\$ -
DIRECT COSTS					
TOTAL DIRECT COSTS	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING COSTS					
Air Travel	\$ 500	\$ -	\$ -	\$ -	\$ -
Staff training	\$ -	\$ 140,000	\$ -	\$ -	\$ -
Equipment maintenance	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 100,000
Systems Support	\$ -	\$ -	\$ 25,600	\$ 25,600	\$ 25,600
Savings in maintenance costs	\$ -	\$ (70,642)	\$ (70,642)	\$ (70,642)	\$ (70,642)
Contractors	\$ 40,500	\$ -	\$ -	\$ -	\$ -
TOTAL OPERATING COSTS	\$ 41,000	\$ 69,358	\$ 54,958	\$ 54,958	\$ 54,958
Amortization	\$ -	\$ 543,374	\$ 1,680,269	\$ 1,680,269	\$ 1,680,269
TOTAL COMPREHENSIVE OPERATING COSTS	\$ 41,000	\$ 612,732	\$ 1,735,227	\$ 1,735,227	\$ 1,735,227
NET INCOME BEFORE TAXES	\$ (41,000)	\$ (612,732)	\$ (1,735,227)	\$ (1,735,227)	\$ (1,735,227)
Tax on Eligible Operating Costs	\$ 6,970	\$ 11,791	\$ 9,343	\$ 9,343	\$ 9,343
TOTAL TAXES	\$ 6,970	\$ 11,791	\$ 9,343	\$ 9,343	\$ 9,343
NET INCOME	\$ (47,970)	\$ (624,523)	\$ (1,744,570)	\$ (1,744,570)	\$ (1,744,570)

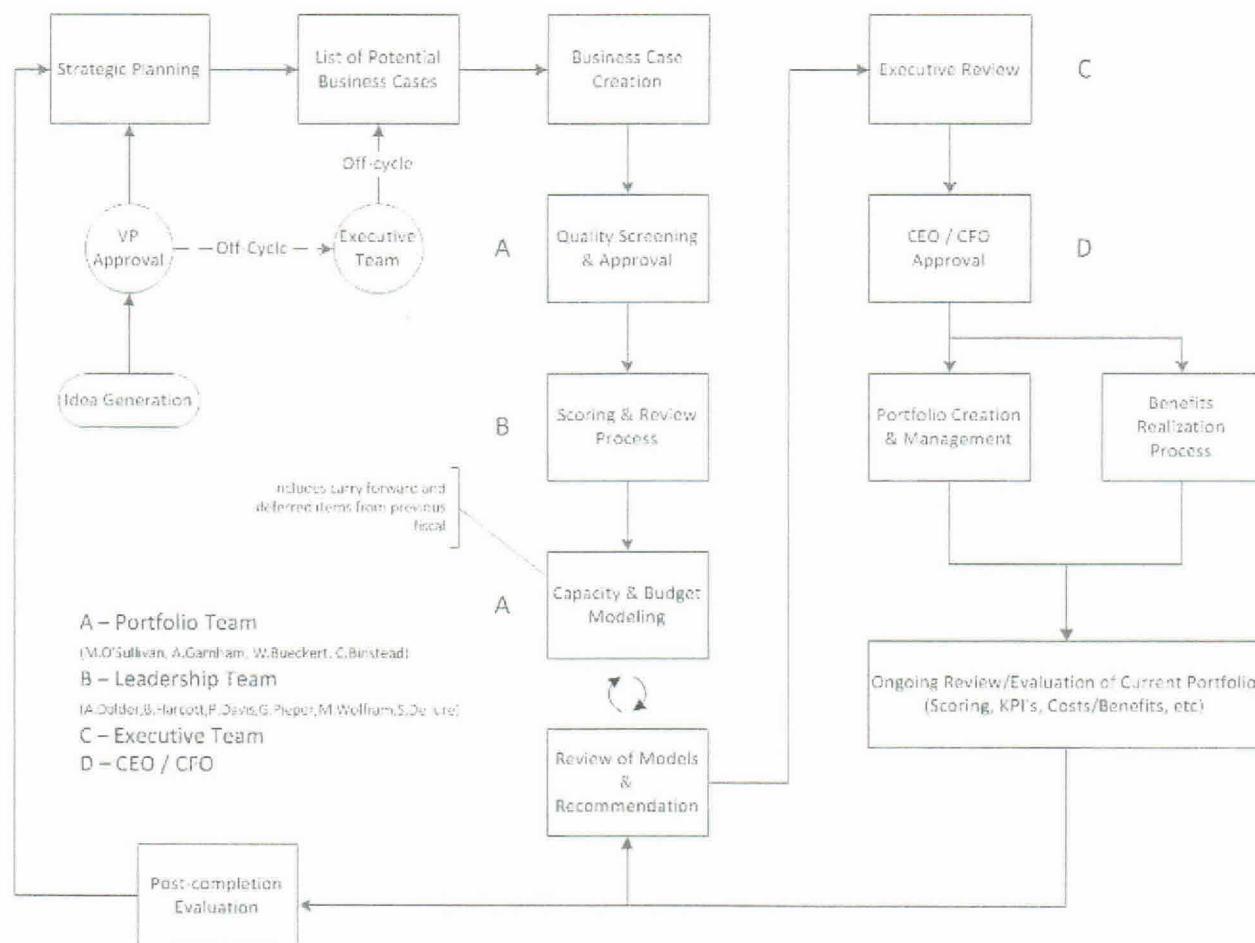
Table 8 Reconciliation of Net Income to the Project budget (operating costs) (Table 2, page 4)

	Year 13/14	Year 14/15	Year 15/16	Year 16/17	Year 17/18
Net Income	\$ (47,970)	\$ (624,523)	\$ (1,744,570)	\$ (1,744,570)	\$ (1,744,570)
Internal Labour (operating)	-	(20,700)	(44,850)	(89,700)	(89,700)
Savings in maintenance costs (desktop licensing renewal)	-	(70,642)	(70,642)	(70,642)	(70,642)
Taxes	6,970	11,791	9,343	9,343	9,343
Amortization	-	543,374	1,680,269	1,680,269	1,680,269
Costs before depreciation and taxes but including Internal Labour	\$ (41,000)	\$ (160,700)	\$ (170,450)	\$ (215,300)	\$ (215,300)
Budget for Operating Costs	\$ 41,000	\$ 160,700	\$ 170,450	\$ 215,300	\$ 215,300

The Budget does not include taxes, amortization, and costs savings but includes internal labour operating costs.

Appendix

BUSINESS CASE PROCESS



Business Case Process Description

Strategic Planning

Subsequent to the joint Board and Executive strategic retreat, the Executive undertake strategic planning, leveraging the Playing To Win strategic planning methodology. The resulting strategic plan defines our winning aspiration, where we will and won't play, how we will win, the capabilities that we must have in place to win and the management systems required to support the choices made. The plan defines the next steps towards achieving our how to win value proposition and achieving a sustainable competitive advantage, and identifies the priority initiatives for the next year for which business cases are being sought from the business planning process.

Business Case Creation

This stage is the creation of the business case and financial analysis including objectives, resourcing requirements, revenue, costs, assumptions, risks, and impacts. The business case creation also includes formulating the measures of success which are later measured against actual results once the business case is executed, called benefits realization. This entire stage is a collaborative effort between the business case owner and Subject Matter Experts.

Quality Screening

To insure a level of consistency and that all required information that will be needed for the evaluation process has been captured in the business cases before they move forward, all business cases will undergo a review and sign-off by a cross functional group. This review does not gauge the validity of the case, but only insures that the information contained meets a required level of diligence and no gaps exist. Business cases without this approval will not be included in the subsequent steps of the review and approval process. During this review, business cases will be assigned to their appropriate quadrant in the corporate investment model to be able to be scored and prioritized correctly.

Scoring & Initial Review

During this stage, all business cases that have met the information quality hurdle will be reviewed and run through a comprehensive scoring model to help provide a relative priority both within their particular quadrant but also from an enterprise perspective. This process will be completed by a cross functional team of Directors.

Capacity & Budget Modeling

Based on the output of the review and scoring, this information will be used to create initial models that show the impacts of each business case on our resource capacity and budgets. These models will also take into account those programs that are carrying forward from the previous fiscal or those programs that have been previously delayed or deferred. These models add an additional layer of analytics to the decision making process.

Review & Recommendation

At this stage, the cross functional director team will use all of the available information to analyze the portfolio from an investment, strategy and resource perspective to determine those scenarios which would bring optimal value to the organization. This process will include the consideration and modeling of multiple scenarios. From this exercise, the team will provide to the executive team a set of options, their individual analysis and a recommended course of action.

Executive Review

The executive team sponsor of the business case will present the business case and there will be discussion and dialogue. The executive will also review the options and recommendations provided from the previous steps.

CEO/CFO Approval

Based on all the previous steps, the CEO/CFO will determine the business cases to be approved.

Portfolio Creation & Management

The Program Management Office (PMO) begins the management and execution of the business case. Business cases are formally accepted as projects into the corporate portfolio and resourcing and scheduling is provided. The project is transitioned into the PMO who executes the business case.

Benefits Realization Process

The measures of success introduced in the business case creation stage are reconfirmed. There may be a review with the project stakeholders to better articulate the benefits, so more solid metrics are captured before the execution of the business case begins.

Ongoing Review/Evaluation of Current Portfolio

While still in the execution phase, business cases are re-evaluated both individually and as part of the portfolio. This includes variances to scope, schedule, budget, risks, benefits (performance measures, revenue projections, cost savings, non-financial benefits). Assessments are made to determine if the portfolio is still the optimal mix of projects as far as fulfilling strategic outcomes. Assessments also include any changing market conditions which could impact scope, schedule, budget and benefits. As a result of this evaluation, business cases may be adjusted, re-prioritized, and in some unusual cases, abandoned.

Post-completion Evaluation

After the business case is fully operational, the measures of success metrics, revenue projections as well as any other objectives are evaluated against the original business case. Key learnings and recommendations are brought to the attention of the executive and incorporated into future initiatives.

STRATEGY MAP

Corporate Goals

Corporate Objectives

Corporate Strategies

KPI's

PLAYER

Delight our players so they will choose BCCLC gambling over other entertainment options

Broaden and diversify the player base and spending to strengthen our business and reduce risk

Encourage responsible play so that players make informed choices about their gambling

Make BCCLC a great place to work so that we feel inspired to do our best work and we are a sought-after employer

Define our future workforce needs so we have the right people with the right skills at the right time

Be a good corporate citizen so that our business is welcomed across B.C.

Demonstrate Integrity in what we deliver and how we deliver it so that the public has confidence our business is fair, safe and well-managed

Grow net income from our core business (the five games representing 88% of contribution margin: Slots, Tables, Lotto Max, 6/49, Keno)

Invest in new growth opportunities so that we respond to consumer trends and replenish lost income from declining products and shrinking margins

Get to market faster with innovations so our games and services are more relevant

Offer Customizable, player-driven experiences

Leverage the PlayNow platform across all channels and platforms

Continuously improve the entertainment value and distribution convenience of our five core games

Provide education and tools supporting informed gambling choices and responsible play behaviours

Foster innovation and simplify work processes in every area of the company to make BCCLC more effective and increase job satisfaction

Offer personal development opportunities and a competitive compensation package to retain and attract strong talent in critical roles

Install a Human Resources Information System that creates a single, integrated view of our workforce

Co-ordinate the many activities which contribute to our corporate reputation, with a focus on key operating communities

Build employee understanding of their role in strengthening our public trust

Define and implement the business and technology architecture and roadmap that will help us grow

Build our business intelligence and analytics

Work with best-in-class partners to drive innovation in the games, amenities, social settings, services and access that players want

Complete the Casino/GCG property build-outs to capture unrealized market potential

Increase Player Satisfaction Scores
Net Win \$2.1 billion

Increase adult participation
Net Win per capita

Increase player awareness of responsible gambling activities

Maintain employee engagement

Monitor our ability to close skill gaps
Employee vacancy rate

Increase public support for BCCLC

Increase public trust in BCCLC

2013/14 Net Income \$1.2 billion
Derive 10% of total net win from new products, services and business models (\$120M)

Speed up our launches of major initiatives by 25%
Operating cost ratio (% of net win)

PRINCIPLES

1. Initiatives require alignment to corporate strategies.
2. In order to correctly calculate Net Present Value (NPV) and to have fair comparisons to other projects, initiatives need to include all existing labour costs, as well as incremental annual costs after implementation.
3. Initiatives require completeness in documentation so good decisions are made, and the probability of success is increased.
4. Business Cases that have been approved will be reviewed throughout the business case cycle to ensure benefits are being realized.

INSTRUCTIONS

1. This template will be used for both high level Opportunity Cases and more detailed Business Cases. Opportunity Cases are used for idea formation, are conceptual in nature, and require less detail. This template is intended to be scalable. Complete the level of detail that is appropriate for your intended purpose.
2. The right-hand columns of much of this business case include clarification and examples to guide you. Please delete these right-hand columns as you proceed through business case completion.
3. To accurately assess the full impact to BCLC, a business case requires input by a cross-functional team and the completion of several components. If you have been asked to initiate a business case, please complete the following components with the named assistance:

Area	Component	Name	Phone
Business Architecture	Business Requirements & Scope	Andy Garnham	
Technology	Technology recommended solution	Steen Bray Jason Lam	
Project Management	Implementation	Bill White Martin O'Sullivan	
Risk	Risk Template	Jacquetta Goy	
Finance	Financial Analysis, Financial measures of success	Wendy Bueckert	
CSR	CSR Impact	Ruth Legg	
Change Management	People change management	Jane Whittam	
Human Resources	FTE – CCG, CSC FTE – FCS FTE – HR, Exec Services FTE – CPA, STSR, EG, IA, LG FTE – Business Technology	Amy Kim Sarah Turtle Cathy Binstead Haleema Nasser Heather Garness	

4. Formal sign-off by appropriate directors is required before the Business Case will be considered. Opportunity cases require formal sign-off by the author's Director.

