

IMPORTANT INDUSTRY UPDATE

DECEMBER 1, 2010

Charitable Gaming Revitalization Initiative Update

We are very pleased to provide the first of what will be ongoing updates on this very exciting initiative to support the fundraising efforts of thousands of charities and non-profits across Ontario by revitalizing the charitable gaming industry.

Formal communication of this new direction came in early October 2010 in correspondence from Paul Godfrey, Chair of Ontario Lottery and Gaming (OLG) to both Ontario Charitable Gaming Association (OCGA) and Commercial Gaming Association Ontario (CGAO). This announcement confirmed government direction for OLG to focus and strengthen its existing partnership with the industry by developing significant immediate and long-term initiatives. The direction is based on the fulfillment of key conditions put in place to support the shared goal of a successful revitalization. The CGAO and OCGA have been working closely with OLG in the planning and development of these many faceted initiatives, comprising new products and technologies designed to modernize the charitable gaming industry.

Overall Direction

Government direction calls for an expansion in the number of bingo centre sites offering eBingo, plus an additional suite of new electronic games (eSuite of products). The eSuite will make bingo centres more competitive and appealing to a broader demographic while also differentiating gaming in bingo centres from gaming in traditional casinos. The government direction does not include slots in bingo centres.

In addition, we will explore offering a customized electronic solution of product *choices* for very small paper bingo centres unable to commit to a full eSuite. Charities and operators choosing one or two of these products would be under individual contracts with OLG (a process similar to existing Big Link Bingo contracts).

The government and the OLG Chair will require, in advance, commitment of participation from 30 bingo centres before moving forward with the expansion in order to capitalize on economies of scale and for OLG, at minimum, to be able to cover its costs associated with this initiative. This number includes the six eBingo sites that are currently operational.

Process

Ontario Charitable Gaming Association and Commercial Gaming Association Ontario have been long-time partners with OLG in respect to the development and support of this expansion. Both associations have been active participants in the planning process.

On the product side, there have been a series of discussions with key industry stakeholders, including a full-day brainstorming session. Substantial operator participation and charity representation contributed to the development of a list of desired, potential new products and technologies to support the industry in the coming years and are consistent with government direction.

These concepts fall into three categories: Phase 1 – products that are readily available (i.e., “off the shelf”) or could be developed quickly; Phase 2 – products that will take a little more time to develop and/or source; and, Phase 3 – products that require further exploration and development as they do not currently exist in the format required.

A *New Product Committee* has been struck, with representation from operators and charities, to provide advice and recommendations to OLG about new products for the industry. The current focus is on Phase 1 in order to have a package of products ready for the industry to choose from in the new year.

At the same time, a *Financial Committee* is working with OLG to develop a standardized financial commission model for the eBingo gaming sites. The pilot sites’ financial arrangements were all based on customized negotiations with operators, charities, and municipalities. This was a time-consuming process, but necessary at the outset as all parties needed to have experience with the model. With the lessons learned, OLG, operators, and charities are in a much better position to undertake a standardized approach that will allow operators and charities to make good business decisions based on the potential opportunities that the model may offer. It is anticipated that this model will also be finalized in the new year.

Products

Full eBingo Gaming Sites – Phase 1

- ✓ Electronic Bingo on a robust system
- ✓ Paper Bingo
- ✓ Personal played “*Play on Demand*” games – electronic bingo-themed games that players play against the computer on the bingo platform, refreshed throughout the year
- ✓ Personal played Electronic “Break-Open” Tickets on the system
- ✓ Paper “Break-Open” Tickets
- ✓ Personal played Electronic Instant Tickets
- ✓ Traditional Instant Tickets

Additional Options:

- ✓ Electronic Shutterboard, Break Open Ticket Dispensing Machines with entertainment component, Networked U Pick'em /Rapid Draw Bingo

Standalone Product Choices for Paper Sites - Phase 1

- ✓ Electronic Shutterboard
- ✓ Break Open Ticket Dispensing Machines with entertainment component
- ✓ Networked U Pick'em /Rapid draw bingo

Commitment

OLG has begun to structure a discrete Charitable Gaming unit to resource this significant program consisting of multiple initiatives. John Wisternoff, VP New Business, is the executive lead for the charitable gaming project. Ron Ko, Mary O'Neill, and others in the Bingo Gaming Unit have key roles and will be working closely with the industry.

OLG recognizes that both product and technology need to be refreshed and upgraded from time-to-time and is committed to revitalizing products on an ongoing basis.

Operators offering full eBingo gaming sites will be required to make a minimum investment to support the back-end computer system and to ensure that all required infrastructure is in place to accept the technology and equipment. There will be no requirements for facilities to be upgraded or for cosmetic changes to occur. These will be at the discretion of the operator.

In the full scenario, OLG “conducts and manages” through a service contract with the operator, while charities continue to play an important “in-house” role in return for a percentage of the proceeds. *Participation in this model will be a joint decision between operator and the charities.* Municipalities must also be in agreement.

In the case of locations that are paper-only sites, again the decision to add OLG product will be made *jointly* by the operator and the charities, with all parties receiving payments accordingly.

The approach in this initiative is one of choice for both charities and operators.

Next Steps

Once the financial commission model is finalized and the Phase 1 products have been detailed out, we will be coming to the industry to present the various packages and to garner interest and commitment to this expansion initiative. We are anticipating that this will occur in the new year. In the meantime, we will keep you informed of the progress through regular communications as information becomes available.

We are very excited that this major project is now moving forward and will provide options for both charities and operators to improve, grow, and modernize the charitable gaming business. Please feel free to contact us, if you have questions.

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