



RFI# 1213-001
Modernizing Land Based Gaming in Ontario



Preface

On May 17th 2012, OLG issued to the market RFI# 1213-001 for Modernizing Land Based Gaming in Ontario. The attached are the core Schedules of the RFI, more specifically these are Schedule B “Background Information” and Schedule D “Vendor Questions”.

Interested parties who wish to submit a response to the RFI must obtain a copy of the full RFI document which includes all RFI terms & conditions, submission instructions and supporting schedules. The RFI can be obtained for download at www.merx.com/olg.

FOR INFORMATION ONLY

Schedule B

Background Information

1. INTRODUCTION

As part of the Ontario Government's new direction to the Ontario Lottery and Gaming Corporation ("OLG") in July of 2010, OLG was asked to complete a comprehensive strategic review of the lottery distribution network and land-based gaming facilities. The result of this review was a report to government called Modernizing Lottery and Gaming in Ontario (please see **Appendix A to Schedule B**).

The report outlined three recommendations to achieve this modernization. These included:

1. Become more customer-focused
2. Expand regulated private sector delivery of lottery and gaming
3. Renew OLG's role in oversight of lottery and gaming.

The guiding principles for OLG's modernization are to:

- Be a modern, efficient agency operating in the best interests of Ontarians.
- Provide entertainment to Ontarians and visitors alike, while maintaining high, responsible gambling standards.
- Uphold its record of regulatory compliance with standards established and enforced by the Alcohol and Gaming Commission of Ontario ("AGCO").
- Continue to communicate openly with employees and treat them with respect.

At the completion of the modernization exercise in 2017-18, OLG will be:

A modern, sustainable organization, which will increase Net Profit to the Province by an additional \$1.3 billion annually – all while upholding responsible gambling standards.

This proposed reform could see key public priorities like healthcare and education benefit from the additional annual Net Profit to the Province of \$1.3 billion by 2017. Over the 6-year transformation period, OLG will provide an additional \$4.6 billion to the Ontario government. Employment will grow by over 2,300 net new jobs in the industry (in new gaming facilities and related amenities, as well as in digital gaming design and management), as well as an estimated 4,000 service sector jobs in hotels, restaurants, entertainment centres, and retail.

Ontario will continue to be a North American leader in responsible gambling – and support for research and treatment will increase. As overall revenues increase, Ontario's First Nations communities will also continue to receive financial benefit from the industry – based on the planned growth in revenues, it is expected that this benefit will be greater than today. It is anticipated that host municipalities will have a consistent model for funding support but, based on the planned growth, they will also receive more than the current levels overall. In addition, this modernization will create opportunities for up to an additional \$3 billion in new capital investment in the province, and the capital costs are expected to be borne by the private sector service providers.

OLG will become a more sustainable and efficient organization that ensures that Ontario residents and visitors can play more innovative and fun games in a responsible way. It will continue to be the agency responsible for conducting and managing lottery and gaming in Ontario but will no longer be directly operating all lottery and gaming services (more information on OLG's future role can be found in Section 5 of this document). Ultimately, Ontarians will benefit from a more effective, more valuable gaming industry. The tourist experience of gaming entertainment in Ontario will be enhanced.

Achieving this goal will require changes to the way that OLG functions to secure its continued conduct and manage mandate, including:

1. OLG will be the sole owner of customer information across all lines of business, all channels, all points of sale, and all devices. When customers register for a player card, or for access to a website, their information belongs to OLG. OLG will also be the single owner of play information, recording transactions at all points of sale across all channels, types of games,

and lines of business. Please note that only portions of this information will be made available to private sector service providers to allow them to operate gaming sites per their agreement with OLG.

2. Using the information above, OLG will decide where and how gaming will be offered in the province in an integrated way across all types of games and all channels. This will include, for instance, determining where land-based gaming sites may be built, what channels lottery products will be sold through, and the establishment of a single internet gaming platform through which all digital game products (lottery or casino-style games) will be offered.
3. OLG will own the agreement with the customer – revenue from all games, including lottery-style games and casino-style games, whether offered through physical or digital channels, will flow into OLG accounts. Future private sector service providers will be paid fees based on their operational role.
4. OLG will, in all applicable areas, retain the unilateral ability to shut off games and devices (e.g., slot machines) and/or direct the private sector service provider to do so in accordance with OLG and AGCO requirements. More details on OLG's future role specific to the gaming business can be found in Section 5.

Several projects are already under way to deliver these capabilities. OLG is developing a customer management solution that will enable a single view of the customer across all lines of business. This will enable OLG to control an integrated customer experience and deliver its responsible gambling across traditional casinos, over the internet, and any other future devices and channels.

Internet Gaming Solution

To build a digital gaming platform, OLG has already tendered for a vendor to provide an internet gaming solution - (*OLG's Request for Proposals for Internet Gaming Solution Service Provider RFP#1112-002*). Key components of this internet gaming solution will include the following items:

- (a) A Player account management system that can be integrated with casino, poker, lottery, sports betting, bingo and other games as determined by OLG, which the chosen vendor could leverage. For digital channels (e.g., internet, mobile), this would serve as both the customer interface and the network.
- (b) A software solution supporting player registration and authentication.
- (c) A financial payment processing solution, including a fully-integrated, single-player wallet supporting the online games.
- (d) Day-to-day operational and support services relating to the foregoing, including the provision and support of OLG's responsible gambling policies.

OLG will use the above solution to launch an internet gaming ("iGaming") platform within a responsible, trustworthy, and secure environment. Respondents that are eventually successful in supporting the gaming modernization initiative would be required to use the OLG internet gaming platform to operate designated products in digital channels, and be subject to OLG terms, conditions and approval. In gaming, this may allow land based gaming service providers to operate websites branded using the service provider's brand through the OLG infrastructure and in compliance with OLG standards. OLG is interested in hearing respondents' views on this potential systems arrangement.

Customer Information and Gaming Management System

To enable OLG's customer information ownership, OLG is planning to implement Bally's Casino Management System as a single gaming management system ("GMS") that would connect to all facilities in the Province. It is expected that this system would allow OLG to exert direct control over persistent data

collection, transaction monitoring and all slot machines. It would also allow OLG to give service providers access to data required to deliver marketing programs to customers.

Currently, all OLG managed sites use Casinolink as the GMS. During the planned transition phase from Casinolink to Bally's Casino Management System, OLG and private sector service providers would continue to utilize the Casinolink solution until a new system is fully implemented. Similarly, OLG currently operates a single loyalty program called "Winner's Circle" across all of its directly operated facilities. During the transition phase, OLG will continue to operate the back-end of this loyalty program, with implementation being the responsibility of service providers.

Purpose of this RFI

This RFI is intended to initiate a market sounding process to gauge private sector interest in participating in an expanded way in delivering gaming services in Ontario. This RFI is non-binding and the answers provided by respondents have no influence in the evaluation of any potential future formal competitive process. In no way does this RFI imply, directly or indirectly, that any private sector service provider will be partners with OLG in the gaming business. At OLG's sole discretion, respondents may be invited to participate in further presentation sessions. Any information obtained through this RFI may be utilized in future competitions at OLG's discretion. Respondents are invited to comment on any or all the aspects of this RFI.

It is anticipated that the procurement process will be made up of various stages that may include the following:

- Request for Pre-Qualification (RFPQ) – potential release as early as summer 2012
- Request for Proposal (RFP) – potential release for selected zones beginning as early as fall 2012

2. OPERATING CONTEXT

2.1 OLG's Conduct & Manage role

The *Criminal Code of Canada* generally prohibits the carrying on of any gaming business (including casinos and games of chance, table games, and dice games), but it provides limited exceptions to the general prohibition. Apart from regulated pari-mutuel betting on horse races, the exceptions relate primarily to permitting the provinces of Canada to carry on gaming businesses for their own account, or to license certain other parties (i.e., religious or charitable organizations and boards of fairs and exhibitions) within the province to do so. Section 207(1)(a) of the *Criminal Code*, the key exception under which OLG operates its gaming businesses, permits the government of a province, either alone or in conjunction with the government of another province, to conduct and manage a broad range of gaming activities known as "lottery schemes" in that province, or in that and the other province, in accordance with any law enacted by the legislature of that province.

There are two key requirements that must be satisfied in order for the exception in Section 207(1)(a) of the *Criminal Code* to be available to a province:

- (a) The lottery scheme must be "conducted and managed" by the government of a province. To satisfy this "conduct and manage" requirement, the province must be the "operating mind" of the lottery scheme; and
- (b) The province must have passed enabling legislation to authorize it, or its lottery corporation, to conduct and manage lottery schemes.

OLG is constituted under the *Ontario Lottery and Gaming Corporation Act, 1999* ("OLGC Act"), with the province as its sole shareholder. The organization conducts and manages lottery schemes on behalf of the Ontario under the authority of Section 207(1)(a) of the *Criminal Code* and in accordance with the *OLGC Act*.

Under any business or operating model, OLG will be the Operating Mind behind the delivery of Gaming, but it may look to a service provider for day-to-day operations of a gaming site. In particular, OLG will retain control over critical and strategic decision making related to lottery and gaming. OLG will also retain responsibility over operational functions as detailed in Section 5 of this document.

2.2 OLG role as an agency of the Crown in Right of Ontario

As an agency of the Crown in Right of Ontario, OLG will ensure that all gaming in the Province of Ontario complies with applicable laws and regulations and supports government objectives through various measures, including the following:

- Effective systems of internal control to ensure compliance with applicable legislated requirements, and other contractual requirements, including a management monitoring system.
- Implementation of procedures to satisfy privacy requirements including instituting design methods and systems that adhere to the guidelines and best practices published by the Information Privacy Commissioner of Ontario.

The successful proponent(s) of the subsequent Requests for Proposals process will be required to comply with all applicable legislation and other regulatory requirements, including without limitation:

- a. Applicable legislation specific to the gaming industry in the Province, including the *Gaming Control Act 1992*, (Ontario) ("GCA"), the *Ontario Lottery and Gaming Corporation Act, 1999* (Ontario) ("OLG Act"), the *Criminal Code of Canada*, and the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*); and

- b. Laws of general application that govern how business is conducted in Ontario by the private sector (e.g., *Liquor Licence Act* (Ontario), *Employment Standards Act, 2000* (Ontario), the *Occupational Health and Safety Act* (Ontario), the *Labour Relations Act, 1995* (Ontario), and the *Accessibility for Ontarians with Disabilities Act, 2005* (Ontario)).

Applicable legislation may also include statutes that uphold the public interest in selected areas of public policy. Examples of these statutes include, but are not limited to:

- *Freedom of Information and Protection of Privacy Act* (Ontario) (“FIPPA”)
- *French Language Services Act* (Ontario)

OLG reserves the right to impose mandatory policies and procedures – outside of the scope of the applicable statutes noted above – on the successful proponent(s) in the public interest.

2.3 AGCO’s Role in Regulating the Gaming Industry in Ontario

While the Ontario Lottery and Gaming Corporation (OLG) is the Crown Corporation in Ontario responsible for the conduct and management of gaming (including lotteries, casinos, iGaming and related business activities), the Alcohol and Gaming Commission of Ontario (AGCO), is the Crown agency in Ontario responsible for regulating these activities, including suppliers of gaming and non-gaming services to OLG as well as the OLG itself.

As the gaming industry in Ontario has matured over the last few decades, the AGCO has responded by developing a more strategic approach to regulating this sector. This approach is focused on risk assessment, standards setting and achieving compliance. Over the last few years, the AGCO has included various elements of this approach in a number of its regulatory operations. For example ---

- Risk-Based Registration (RBR) streamlines processes for registration (also called “licensing” in some jurisdictions) of suppliers and gaming assistants based on a risk assessment. A formalized risk assessment process ensures consistency, transparency and fairness for all applicants and provides for a faster, more streamlined registration process for lower risk applicants. More information about RBR is available at <http://www.agco.on.ca/en/pdfs/index.aspx>.
- Amendments made to the *Gaming Control Act* in 2011 authorized the Registrar of Alcohol and Gaming to establish standards and requirements for suppliers. Standards and requirements are being established in collaboration with affected stakeholders and phased in over a period of time, in close collaboration with gaming industry participants, to ensure the industry is well positioned to assume responsibility for compliance with the framework while benefitting from the increased flexibility provided.

The standards and requirements being developed are based on regulatory risks which were identified in consultation with gaming industry representatives and other stakeholders. The risks identified through this process will be reviewed by the AGCO on a regular basis to ensure the Registrar’s standards and requirements remain relevant, effective and appropriate.

Standards are generally outcomes that are expected, with the supplier determining how it will achieve the standard. In simple terms, the AGCO will specify the “desired outcome” (the standard) and the business enterprise will determine “how to achieve it”. *Requirements* address risks for which greater attention is necessary. The AGCO’s evolving approach aims to reduce targeted risks while increasing business/operational flexibility for OLG and gaming suppliers. This allows the AGCO to focus its regulatory activities on higher risk priorities. The main objective is to create a regulatory system that is

more responsive to market conditions and can better address the constant changes within the gaming industry. At the same time, the new system will ensure the AGCO continues to uphold its core responsibility to ensure gaming is operated with honesty, integrity, social responsibility and in the public interest.

In the future, the standards and requirements will allow for more business flexibility by establishing a framework that allows OLG and other gaming suppliers to be innovative and design the most efficient and cost effective approaches to achieving compliance while still ensuring regulatory objectives such as protecting the public interest continue to be met.

2.4 Responsible Gambling

OLG is mandated to prevent and mitigate the effects of problem gambling. Its enterprise-wide responsible gambling program ("RG Program") is defined by concrete objectives and delivered by the following program elements: employee training, player education, technology, treatment referral, research, and stakeholder relations.

All program elements are informed by independent researchers and problem gambling experts, and OLG co-designs and delivers its program with the Responsible Gambling Council of Ontario ("RGC-O"), the Centre for Addiction and Mental Health ("CAMH"), the Ontario Problem Gambling Research Centre, addictions counsellors across Ontario, and the Ontario Problem Gambling Helpline ("OPGH").

In 2012 and beyond, the following external standards will apply to OLG:

- Compliance with the AGCO's responsible gambling regulatory standard.
- Accreditation with the third-party "Responsible Gambling Check" ("RG Check") program from the RGC-O.
- Certification to the highest level of the World Lottery Association's responsible gambling framework.

OLG will only engage with service providers for either lottery or gaming services who comply with its RG Program.

3. CURRENT GAMING OPERATIONS

Currently, there are 24 gaming facilities across the Province.



These gaming facilities are divided into three categories.

1. Slots at racetracks

There are 14 slots facilities at racetracks located across the Province. These facilities currently offer slot machines, but do not have table games. OLG is solely responsible for the slot gaming operations, as well as for all employees directly related to gaming operation. The slots at racetracks generated over \$1.5 billion in revenues in Fiscal Year 2011 (April 1st 2010 to March 31st 2011).

In addition to the 14 facilities above, OLG has recently closed the slots facilities at racetracks in Fort Erie, Sarnia and Windsor.

2. OLG casinos

There are five OLG casinos in the Province, where both slots and table games are offered. These properties are owned and operated by OLG and generated approximately \$300 million in revenues in Fiscal Year 2011.

In addition to these five casinos, OLG has an arrangement with the Mississaugas of Scugog Island First Nation, who own the Great Blue Heron Charity Casino land and building. The Baagwating Community Association, a non-profit, charitable organization formed by the Mississaugas of Scugog Island First Nation conducts and manages the table games in that site as a lottery licensee. Slots at that site are conducted and managed by OLG. Day to day operations are provided under contract by the Great Blue Heron Gaming Company, a private sector service provider.

3. Resort casinos

There are also four resort casinos in Ontario that offer slots and table games, in addition to amenities such as hotels, entertainment complexes, and food and beverage offerings. These four casinos generated over \$1.2 billion in gaming revenues in Fiscal Year 2011. Private sector service providers run the day to day operations at these sites.

4. THE GAMING BUSINESS MODEL

4.1 Description of the business model

To maximize opportunities to assign service provider functions to the regulated private sector gaming business in Ontario, OLG is considering the possibility of allowing private service providers to:

- Operate gaming facilities within an OLG-defined geographic zone in the Province (for details, please refer to **Section 4.3**)
- Acquire the capital assets, currently owned by OLG, that are related to gaming sites (potentially including land, buildings, gaming equipment, etc.)
- Assume the current operations of OLG's facilities, including the hiring of all current employees and the assumption of vendor agreements. Service providers' flexibility to adjust staffing levels and amend existing vendor relationships will be phased in.

In addition, OLG will be seeking – through an RFP process – private gaming service providers interested in the potential opportunity to establish new gaming facilities in select designated geographical zones. These service providers would be responsible for:

- Constructing and developing the site (which may include the retention of subcontractors)
- Obtaining relevant approvals
- The operation of the gaming site, subject to regulatory approval, ongoing regulatory assurance, and the oversight of the AGCO and ongoing oversight by OLG.

OLG is interested in understanding if (and under what conditions) Respondents would be interested in assuming these responsibilities.

4.2. Compensation Structure

OLG is contemplating a compensation structure that adheres to certain core principles. In no way will this compensation structure create or imply a partnership between OLG and the service provider.

All gaming revenue from a site must flow into OLG bank accounts. OLG will then pay service providers a fee based on a percentage of gaming revenue generated at the site. This will promote sustained value-for-money.

The fee paid to the service provider at each site is intended to cover site operating costs, capital costs, and a service fee that provides a reasonable financial return for the service provider. The major operating costs at sites are marketing (including loyalty programs and player rewards), employee salaries and benefits, rent or leases, and other operating costs. Capital costs could include land, building and building improvements, interior fittings, and potentially gaming equipment.

The percentage of revenue provided to the service provider may vary from site to site based on the revenue generation potential and cost structure of the site.

To ensure performance and effectively conduct and manage the gaming market, OLG is contemplating paying service providers a higher percentage fee if certain operational targets are achieved.

OLG is interested in receiving suggestions from respondents related to this compensation structure as well as other alternative compensation structures that OLG should consider exploring.

Respondents should be aware that any information obtained through this RFI process may be utilized in the preparation of any future competitive processes at OLG's discretion in a fair and transparent manner.

4.3 Gaming zones

To effectively manage the gaming market in the Province, OLG is considering 29 potential gaming zones.

Please note, the boundaries of the proposed zones contained in this RFI are drafts, and may change prior to any subsequent RFP being released. In addition, the establishment or relocation of any site within a zone would be subject to municipal and all other relevant approvals.

Gaming zones are geographic areas where a service provider will be permitted to operate a single gaming site. The design of these zones is intended to ensure a sustainable and efficient OLG gaming market in Ontario. As such, in each zone, OLG will define:

- Geographic boundaries where the service provider may be allowed to establish a new or relocated gaming site
- Maximum number of gaming positions and betting limits
- Types and number of games offered (e.g., slots, tables, sports books)
- Responsible gambling policies that will apply to all zones across the province

In each zone, a service provider would either acquire the existing capital assets and assume operational responsibility for the existing site (where there is an existing site), or be permitted to establish a new site (for new zones). Where a site relocation is contemplated, a service provider would be permitted to relocate an existing site only within the boundaries of the zone. All new or relocated sites would be subject to relevant provincial and municipal approvals.

These zones do not affect service providers' ability to market their offering - although some general restrictions might be applied by OLG to ensure sustainability of the market.

The proposed zones are not final and may be adjusted based on ongoing discussions with relevant stakeholders and input received through this RFI. OLG would like to understand the interest (and under what conditions) respondents have in acquiring the capital assets and assuming the operations of facilities or constructing and operating new site in individual zones (or groups of zones). For example, OLG would like to understand if respondents are interested in individual zones, and what zones they are interested in, or if they are interested in a group of zones (i.e., combine individual zones).

A list of the 29 potential gaming zones follows. For a detailed definition of each zone, please refer to **Appendix B to Schedule B**. Note that OLG has approval for 29 gaming sites in total. The gaming zones have been divided into four regions:

- Central Ontario (8 zones)

- Southwestern Ontario (12 zones)
- Eastern Ontario (4 zones)
- Northern Ontario (5 zones)

Note that these regions have been created only to simplify presentation and discussion of the 29 individual zones, and are not intended to imply any links between the zones.

C Zones: *Proposed gaming zones in Central Ontario*

- **C1:** Includes areas along Lake Ontario in Toronto and Mississauga, and areas of Markham and Richmond Hill.
- **C2:** Includes the Woodbine site.
- **C3:** Includes the Ajax Downs site.
- **C4:** Includes the Mohawk Raceway site.
- **C5:** Includes the Georgian Downs site.
- **C6:** Casino Rama.
- **C7:** Area surrounding Collingwood and Wasaga Beach.
- **C8:** Site including an OLG-operated slots site and table games licensed under section 207(1)(b) of the Criminal Code of Canada and through an Order in Council from government, located in the territory of the Mississaugas of Scugog Island First Nation.

SW Zones: *Proposed gaming zones in Southwestern Ontario*

- **SW1:** Includes the Grand River Raceway site.
- **SW2:** Includes the OLG Casino Brantford.
- **SW3:** Includes the Woodstock site.
- **SW4:** Includes the Western Fair site.
- **SW5:** Includes the Clinton site.
- **SW6:** Includes the Dresden site.
- **SW7:** Includes the Hanover Raceway site.
- **SW8:** Includes the OLG Casino Point Edward.
- **SW9:** Includes the Flamboro Downs site.
- **SW10:** Casino Niagara in the City of Niagara Falls.
- **SW11:** Fallsview Casino in the City of Niagara Falls.

- **SW12:** Caesars casino located in the City of Windsor.

E Zones: *Proposed gaming zones in Eastern Ontario*

- **E1:** Includes the Kawartha Downs site.
- **E2:** Area around the City of Belleville.
- **E3:** Includes the OLG Casino Thousand Islands.
- **E4:** Includes the Rideau Carleton site.

N Zones: *Proposed gaming zones in Northern Ontario*

- **N1:** Includes the Sudbury Downs site.
- **N2:** Includes the OLG Casino Sault Ste. Marie.
- **N3:** Includes the OLG Casino Thunder Bay.
- **N4:** Area around the city of Kenora.
- **N5:** Area around the City of North Bay.

B. Potential gaming zones that allow for new facilities

OLG has received direction from Government to establish up to five new gaming sites in designated zones. The five proposed zones that allow for a new site are: **C1, C7, E2, N4** and **N5**.

C. Gaming zones likely to be excluded from a subsequent RFP process

Due to existing agreements, the following zones are unlikely to be included in the scope of an RFP with the rest of the zones: **C8, SW10, SW11** and **SW12**. In the future, however, these zones could become part of a procurement process, and OLG is seeking input from the market regarding all zones in this RFP. For further details on these gaming zones and the related facilities, please refer to **Appendix B to Schedule B**.

4.4 Charitable gaming

OLG has committed to ensuring the sustainability of bingo and charitable gaming in the Province of Ontario. Currently, there are 68 bingo halls throughout the Province, with 39 currently planning to modernize in the next two years as part of OLG's bingo and charitable revitalization program. Facilities that offer only paper-based bingo and related games are licensed under section 207(1)(b) of the Criminal Code of Canada, and OLG has a limited role in their operation, restricted to the electronic delivery of bingo games with pooled jackpots such as Big Link and Ultimate Link Bingo. As facilities modernize and add electronic bingo games to their portfolio, OLG takes on responsibility for conducting and managing gambling at those locations. In addition to paper-based bingo games, these facilities are restricted by regulation to offering the following products:

- Session play electronic bingo games
- Paper break-open ticket lottery games

- Electronic break-open ticket dispensers
- Personal play electronic bingo
- Personal play electronic break-open tickets
- Personal play electronic instant games
- Rapid draw bingo
- Electronic shutterboard games.

These facilities may operate in, or near, a number of gaming zones. OLG is not requesting information on the operation of these facilities, which do not form part of this RFI (and would not be included in the operating agreement for a gaming zone). For further information on these facilities, please refer to **Appendix C to Schedule B**.

OLG is interested in understanding the impact of these charitable gaming sites on respondents' interest in relevant gaming zones.

5. OLG'S ROLE

As described in section 2.1, OLG is mandated to conduct and manage gaming in the Province. To fulfill this mandate, OLG will retain control over critical and strategic decision-making, including: strategic planning and market management, gaming service/product offering, financial management, brand management, service provider management, risk management, IT and customer management.

OLG is charged with maintaining the overall integrity of gaming operations in Ontario. OLG will approve the types of games offered, ensure that the games rules are fair and that individual games are implemented consistently, and ensure that lottery and gaming are implemented in accordance with applicable law.

OLG is interested in understanding how respondents would most effectively work within this mandatory framework, where OLG is responsible for:

Responsible Gambling ("RG")

- Provide a system for customers to self-exclude from game play and direct marketing on a voluntary basis, own the "self-exclusion database," and provide vendors with information required to support Customer requests to be excluded.
- Require the implementation of key technology systems, including, but not limited to, a facial recognition system at all sites, in support of self-exclusion, and self-directed voluntary player supports offered through the gaming management and customer management systems.
- Require the provision and operation of Responsible Gambling Resource Centres (RGRCs) at all sites.
- Require all staff to be trained on responsible gambling principles and build RG supports into customer care as a basic element.

Strategic planning and market management

- Decide on objectives and goals for gaming in the province, using analysis of the market, customers, and service provider performance. This includes defining the number, size, and nature of gaming zones and sites.
- Decide on the number and type of gaming services provided at a site or in a zone (i.e. "there will be one casino in Zone C4 that will have between X and Y slot machines and between A and B tables").
- Assess the performance of sites and direct or request service providers to make changes to the gaming services provided.

Gaming service/product offering

- Manage the gaming product portfolio – ensuring that all games approved by OLG for use at a site meet with OLG requirements (i.e. pay-out, thematic appropriateness, etc.)
- Retain the right to approve all products offered by service providers. This could include establishing mandatory standards for permissible game types (e.g., slots, tables), table limits, number of positions, etc.

- Establish mandatory policies for electronic gaming asset disposal, selling and dismantling.

Financial management

- Control the bank accounts into which gaming revenue is deposited.
- Oversee the long-term financial health of its service provider network through financial control activities of annual financial planning and budgeting.
- Define and monitor procedural and technology based controls to prevent fraud and money laundering through gaming and account management transactions.
- Integrate and reconcile all financial transactions across its service provider network (private service providers will reconcile only their own transactions).
- Monitor the integrity of the vendor accounting process.

Marketing management

- Define and execute the brand strategy for “OLG” and related provincial brands related to gaming (e.g., “Know Your Limit”)
- Define policies and guidelines for product marketing and retain right of approval over any product- or site-related marketing proposed by service providers.

Service provider management

- Retain authority and responsibility for approving operational standards and procedures.
- Actively monitor and audit service providers to ensure that prescribed legislative and regulatory requirements are being complied with, and that policies, standards and procedural controls are being implemented and followed in accordance with the applicable contractual arrangements.

Risk management

- Maintain OLG risk management capabilities to protect the interests of customers and stakeholders, focusing on disaster recovery, business continuity management, and fraud protection.
- Determine OLG risk management policies, standards, and procedural controls, and work in collaboration with each service provider to ensure significant business and/or technology risks are appropriately identified and addressed in a timely fashion.

Information technology

- Retain direct control over critical information technology systems including, but not limited to, its customer management platform, its core gaming systems, applications and engine, and its gaming management system.
- Directly manage the integration of service provider systems and data (which may include system integration testing) to its own back-office platforms, applications, and data stores.

- Operate critical business systems (e.g. master data management, business intelligence) to allow OLG to proactively manage, investigate, identify, and resolve potential issues related to responsible gaming and large cash transactions.

Customer management

- Own, retain, and store all customer personal, transactional, and account-related data received from service providers, and determine access rights to data for all service providers.
- Continue to provide certain Customer Care and Support Services directly to Customers to ensure that all Customer inquiries, complaints, and investigations are addressed in a timely manner.

OLG is also considering offering a number of centrally provided services to service providers (on the basis of potential scale benefits), and is interested in respondent interest. The services that OLG is considering offering to service providers, could include:

- **Strategic sourcing:** Sourcing goods and services (e.g. slot machines) for gaming operations
- **Surveillance:** Managing “eye in the sky” surveillance equipment across multiple gaming sites
- **Product marketing:** Delivering marketing strategy for gaming/lottery products and services
- **Loyalty program:** Administer and operate a single integrated loyalty program across all gaming sites in the Province
- **Human Resources support services:** Providing additional support for HR-related services (e.g., hiring, labour scheduling, training, payroll, etc.)
- **Facilities maintenance:** Maintaining facilities, including, but not limited to, slot maintenance and testing
- **Program delivery for all vendors:** Administration of an integrated database which could be used by all vendors in order to comply with applicable regulations (e.g., Vendor Occupational Health & Safety, etc.)

Appendix A to Schedule B
Modernizing Lottery & Gaming in Ontario Report

Modernizing Lottery and Gaming in Ontario



STRATEGIC BUSINESS REVIEW / ADVICE TO GOVERNMENT

This document contains forward-looking statements about our expected or potential future financial performance. For us, forward-looking statements include, but are not limited to, statements about possible transformation initiatives; our future revenue and profit guidance; and other statements about future events or conditions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from those projected.

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INTRODUCTION

Brief description of process of the OLG review from government direction to stakeholder consultations and this report.

EXECUTIVE SUMMARY

Lottery and gaming are part of Ontario's entertainment and tourism attractions; OLG supports public priorities in Ontario; the challenge of sustaining the current lottery and gaming business; the vision for the future of OLG in Ontario; the value of a modernized lottery and gaming system and three recommendations on how to get there.

THREE RECOMMENDATIONS

Three broad recommendations: become more customer-focused; expand regulated private sector delivery of lottery and gaming, and increase support for responsible gambling while renewing OLG role in oversight of lottery and gaming.

APPENDIX I

Background Note: Internet and Charitable Gaming

APPENDIX II

Description of the consultation process and list of stakeholders consulted

INTRODUCTION

In July of 2010 the Government of Ontario gave OLG new direction. OLG was asked to modernize commercial and charitable gaming through:

- an expansion of charitable gaming to allow bingo halls to deliver electronic games;
- a complete internet gaming platform including peer-to-peer games, selling lottery tickets and a process for private sector vendors to deliver internet gaming, with appropriate oversight;
- a comprehensive strategic review of the lottery distribution network and land-based gaming facilities.

All these initiatives were to include a commitment to socially responsible gambling—particularly age restricted access, privacy controls and maximum betting limits for the internet.

Since the inception of lottery and gaming in the province, the overall approach to the business has been reactive: gaming options have evolved over time. This is the first time that OLG has been asked to review its entire operation in a strategic way.

OLG was asked to report back to the Ministry of Finance with recommendations on this comprehensive strategic review.

STRATEGIC BUSINESS REVIEW

In December 2010, based on the government's direction, OLG launched a Strategic Business Review that included consultations with stakeholders and an extensive business analysis.

The consultation asked: "What should the gaming marketplace look like in the next three to five years, based on the best interests of Ontarians?" The Strategic Business Review team asked stakeholders to consider five principles or points of discussion:

1. Respond to the marketplace: advice about products, land-based sites and channels based on market demand and customer preferences.
2. Lessen the burden of capital costs on the public purse (within legal boundaries) and maximize the opportunity for private sector investment.
3. Commit to economic development including job creation (direct and indirect), business stimulus and investment.
4. Allow for greater flexibility such as commercial contracts and appropriate risk-sharing with third parties.
5. Clarify payments to stakeholders both in terms of the economic impact of payments as well as transparency and accountability.

The Strategic Business Review team met with over 50 stakeholder groups from across the province from December 2010 to June 2011. (For full list, please see Appendix II.)

Overall, consultations revealed that stakeholders felt that there has been significant benefit to the province from lottery as well as casinos and slot facilities over the past 20 years. However, the current model in Ontario must change substantially in order to better meet customers' needs. Stakeholders also noted that there is a need to modernize Ontario's lottery and gaming industry based on developments in other jurisdictions. There was broad consensus that the sector needs to change:

- Lottery and gaming in Ontario should become more market-driven and consumer-responsive.
- The private sector is willing to invest in gaming and take on a greater operating role.
- The lottery and gaming sector should embrace the latest in advanced technology and incorporate it into products and services.
- The role of OLG as a direct operator of all lottery and gaming should be clarified.
- OLG has the potential to be more efficient and effective.

The Strategic Business Review examined a number of research ideas proposed by stakeholders. These included new retail channels and new technology for lottery, new sites for land-based gaming and more efficient operations across the organization. This research led to three key recommendations for change:

These recommendations could achieve OLG's goal of generating greater and more sustainable Net Profit to the Province as well as economic and social benefits locally.

1. Become more customer-focused.
2. Expand regulated private sector delivery of lottery and gaming.
3. Renew OLG's role in oversight of lottery and gaming.

RECOMMENDATIONS – GUIDING PRINCIPLES – GOALS

THREE RECOMMENDATIONS TO GOVERNMENT

1. Become more customer-focused.
2. Expand regulated private sector delivery of lottery and gaming.
3. Renew OLG's role in oversight of lottery and gaming.



GUIDING PRINCIPLES FOR TRANSFORMATION

- OLG will be a modern, efficient agency operating in the best interests of Ontarians.
- OLG will provide entertainment to Ontarians and visitors alike, while maintaining high, responsible gambling standards.
- OLG will uphold its record of regulatory compliance with standards established and enforced by the Alcohol and Gaming Commission of Ontario.
- OLG will continue to communicate openly with employees and treat them with respect.



OLG IN FUTURE

In 2017, OLG is a modern, sustainable organization. There are some 2,300 net new lottery and gaming industry jobs and an estimated 4,000 service sector jobs; about \$3 billion has been invested in private capital in Ontario; and OLG has increased Net Profit to the Province by an additional \$1.3 billion annually—all while upholding responsible gambling standards.

EXECUTIVE SUMMARY

There are two key reasons to transform lottery and gaming now:

1. Lottery and gaming are here to stay. In fact, last year a total of 8 million Ontario adults (80 percent) played the lottery at least once and 2.7 million (27 percent) visited gaming sites. But OLG’s offering could be more modern.
2. OLG contributes \$1.7 to \$2 billion in Net Profit to the Province for important public priorities, but the current model could provide more value. The long-term sustainability of that revenue is at risk, primarily due to a business model that is not serving customers as well as it could.

LOTTERY AND GAMING IN ONTARIO

Lottery and gaming have been a part of Ontario’s entertainment and tourism industries for decades. Lottery in Ontario began in 1975 with Wintario, which was designed to raise money for local community projects. In September of 1994, Ontario’s first casino opened in Windsor. Slots-At-Racetracks were launched in 1998.

On behalf of the Ontario government, OLG is responsible for 4 resort casinos, 17 slots at racetrack facilities and 5 OLG casinos, Great Blue Heron Charity Casino as well as the sale of lottery products at over 10,000 independent lottery retailers. OLG conducts and manages 6 eBingo sites. OLG directly employs about 7,700 people (and indirectly, through private sector operators, an additional 10,000 people) across Ontario.

Lottery and gaming are popular forms of entertainment in the province. Almost two-thirds of Ontarians over the age of 19 have visited a casino or slots facility at least once. Fully 80 percent of Ontario adults played a lottery game last year and about half the adult population plays lottery on a regular basis.

In 2010, the government gave OLG direction to launch internet gaming and expand charitable gaming. In charitable gaming, OLG has launched a four-way partnership between bingo halls, host municipalities, the Alcohol and Gaming Commission of Ontario and OLG to expand charitable gaming. At the same time, OLG was asked to find \$100 million in annual efficiencies. All these initiatives are currently underway and are part of OLG’s modernization plan.

OLG is the largest gaming organization – and jurisdiction – in North America, with 33 gaming sites and 10,000 lottery points of sale



Last year, a total of 8 million Ontario adults played the lottery at least once and 2.7 million visited casinos and slot facilities.

CONTRIBUTION TO THE PROVINCE

The legislative authority of OLG is set out in the Ontario Lottery and Gaming Corporation Act, 1999 and OLG has a single shareholder, the Government of Ontario. OLG has consistently delivered profit (Net Profit to the Province) to the people of Ontario. OLG (and its predecessor organizations) has provided over \$34 billion to the Province, since 1975 (up to March 31, 2011).

OLG's Net Profit to the Province in each of the last seven years has ranged from \$1.7 billion to \$2.0 billion. In 2011-12, the profit from lottery and gaming will support health care, education and infrastructure as well as the Ontario Trillium Foundation (\$120 million), problem gambling and related programs (\$41 million) and support for amateur athletes through Ontario Amateur Sports (\$10 million).

In addition to OLG's payments to the Province, there are also several direct beneficiaries of gaming proceeds including the horseracing sector (approximately \$345 million in 2011-12), host municipalities (approximately \$92 million in 2011-12) and from both lottery and gaming, Ontario First Nations (approximately \$117 million in 2011-12).

Lottery and gaming also contributes to the Ontario economy in a number of ways. In 2010-11, OLG operations generated \$3.7 billion in total economic activity in the province (OLG data, www.olg.ca).

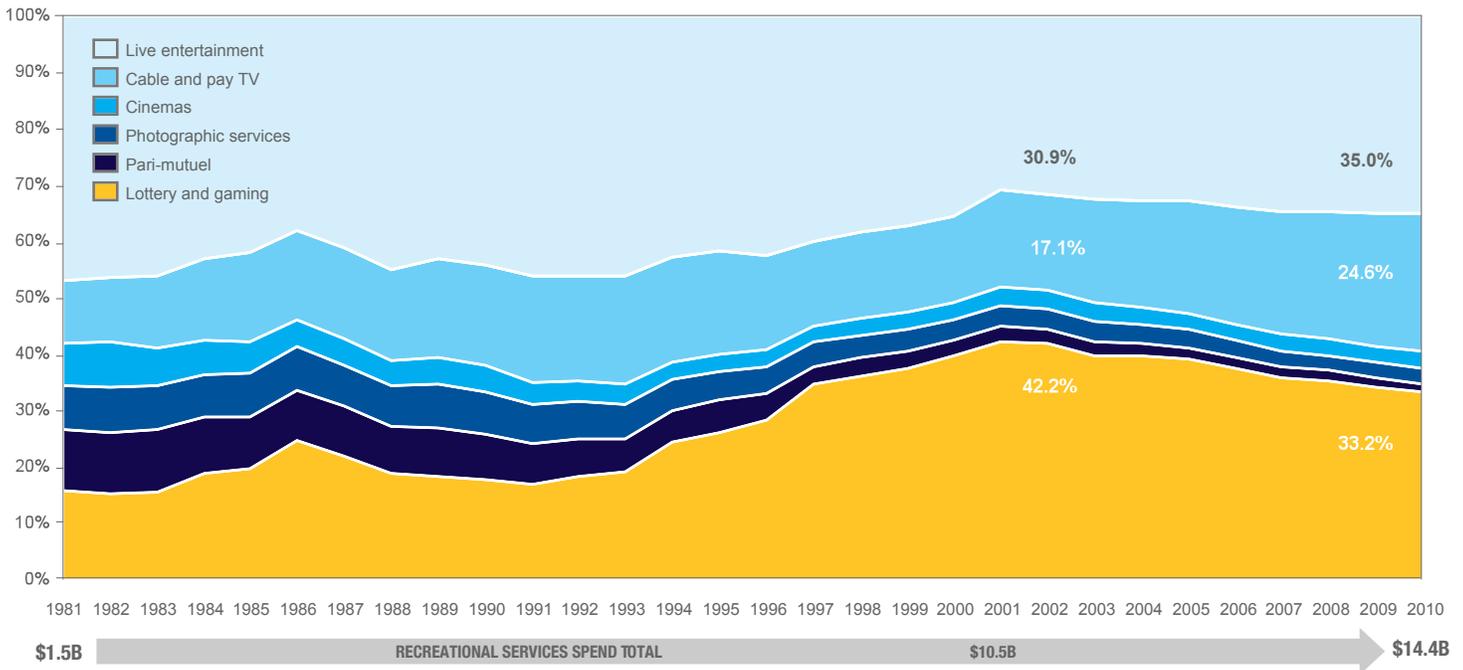
OLG TODAY: THE CASE FOR CHANGE

While gaming and lottery playing have been well-accepted entertainment options for decades, the current OLG business model is not sustainable over the long term. Advances in technology, changes to shopping patterns, aging demographics, and declining visits from the U.S. have combined to threaten the industry and the contribution to the Province.

The lottery and casino games available in Ontario were designed in the 1970s and in the 1990s for the core gaming demographic of the time. Ontario is different now—people's interests in various recreation options have evolved. People shop differently and they play differently.

Ontario Recreational Spending Growth

Currently there is increasing competition for customers' spending money. Live entertainment took up more share of wallet than lottery and gaming in 2009 for the first time since 2001. Cable & pay TV and live entertainment continued gaining share.



Source: Statistics Canada

Advances in technology

When casinos first opened in Ontario in 1994, e-mail was new, as was the internet. Since then, there has also been a significant increase in the technology that supports the lottery and gaming business. In some aspects of the business, OLG has not kept pace with available improvements in technology.

In addition, advances in technology have also created the opportunity for online gaming. In Ontario, an estimated \$400 million is spent annually on gaming sites not authorized in Ontario.

Changes to shopping patterns

OLG's current terminal technology limits where lottery tickets can be sold and does not fully reflect current shopping patterns. The majority of Ontario adults under 45 frequent supermarkets, big box stores and large retail locations. As a result, even though 50 percent of adult Ontarians play the lottery regularly, just 14 percent of adults under 45 play the lottery at least once a week.

Demographic shifts

About 88 percent of OLG land-based gaming revenue is from slot machines, which have limited appeal to players under 45. These players prefer table games like black jack and poker. Demand for slot machine gaming is not expected to grow and will plateau in the coming years.

U.S. Visits

In 2002, some 23 million U.S. residents entered Ontario every year. By 2011, the number declined to 7 million U.S. residents—a drop of 70 percent. Between 1998 and 2008, the number of U.S. residents entering Windsor has dropped by 74 percent.

Gaming revenues are also flattening, due to competition from neighbouring U.S. states. When casinos first opened, border communities had few gaming options. Now a number of U.S. cities in bordering as well as other states have casinos—or are planning to expand their offerings—including Chicago, Detroit, Baltimore, Boston and Buffalo as well as a number of locations in Ohio.

At the same time, OLG’s existing agreements foster internal competition, resulting in less value for marketing dollars spent. OLG resort casinos and other facilities compete with one another by marketing to the same customers.

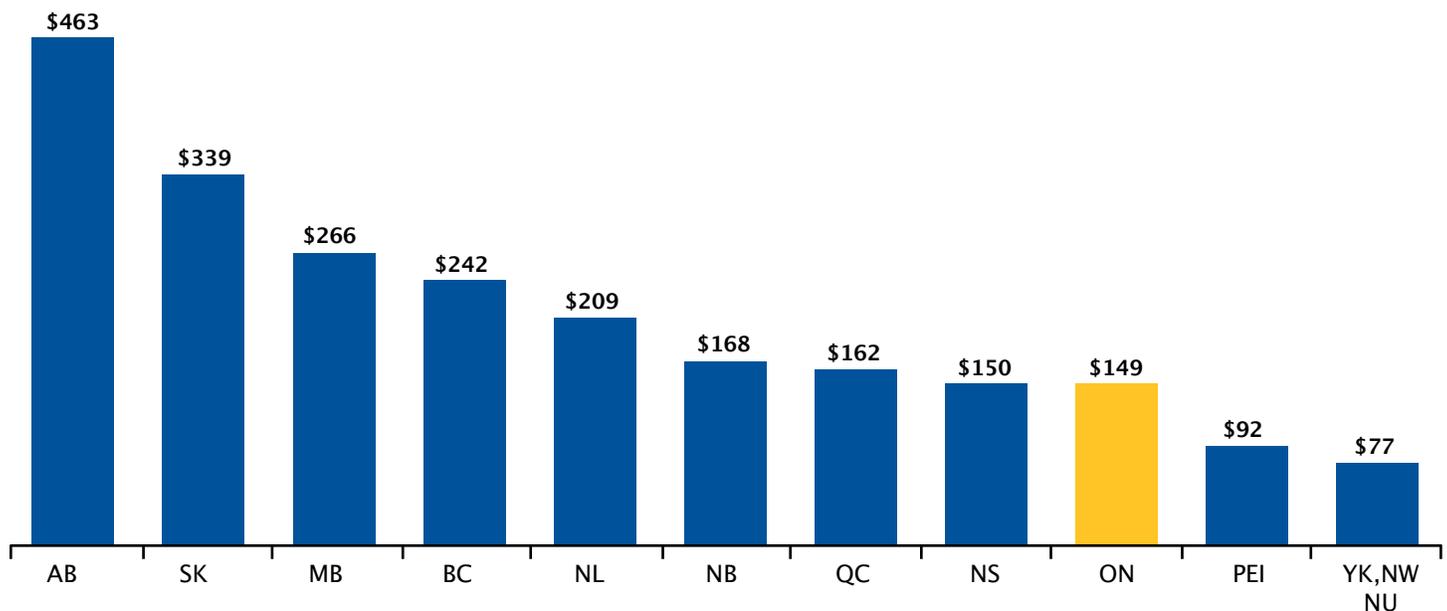
Increased lottery sales and profits from LOTTO 6/49, LOTTO MAX and INSTANT tickets have only partially offset the decline from resort casinos. These games are also beginning to plateau in terms of sales—due partially to the decline in players under 45.

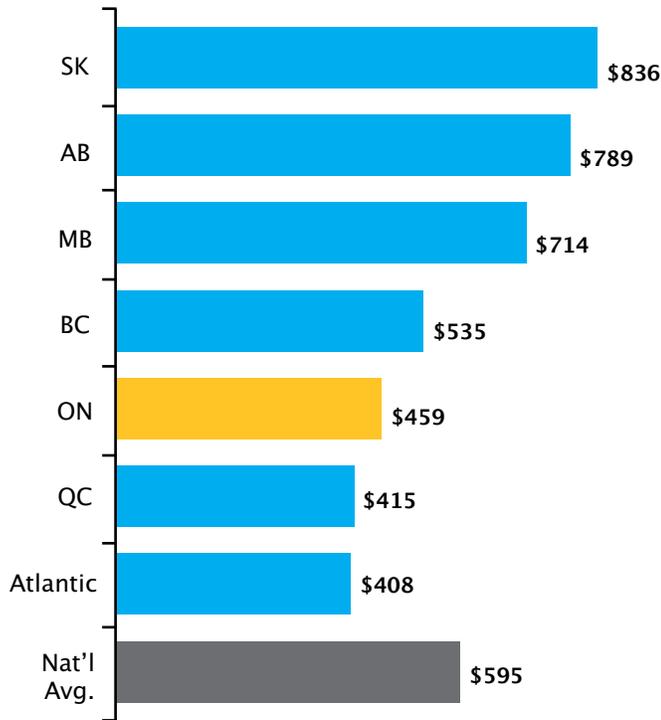
Today, investing to improve OLG’s current facilities would require government money. The Ontario government has in recent years, to positive effect, been using private partnerships to move the risk of public capital investment to the private sector. For example, some 18 hospitals are being built in Ontario through these partnerships.

Based on per capita gaming profit in other Canadian provinces, the people of Ontario do not derive comparable benefit from lottery and gaming. If the customer base was significantly broadened, meaning more people playing a little, the province could benefit. On average, the lottery and gaming industry returns about \$220 to every resident of Canada. Ontario, on the other hand, contributes about \$149 per capita. B.C. and Alberta have seen considerable growth in the last five years, while Ontario’s and Quebec’s growth has been flat. By becoming more innovative, OLG could be more efficient and effective.

The impact of all these developments on OLG business has been profound and has led to an unsustainable future for the organization. Over the past 10 years, the profits from gaming facilities close to the U.S. border have dropped from \$800 million in 2001 to \$100 million in 2011. Resort casinos alone have declined by over \$600 million.

Net Profit to the Province per Capita 2011





Sources: Saskatchewan Lotteries Trust Fund Financial Statements, Alberta Gaming and Liquor Commission Annual Report, Manitoba Lotteries Annual Report, BCLC Annual Report, OLG, Loto-Québec Annual Report, Atlantic Lottery Corporation Financial Statements and OLG analysis.

In recent years, OLG has maintained Net Profit to the Province to government in the absence of substantial new opportunities. However, without fundamental change, the Province should expect a gradual decline in revenue.

Most single or one-off options to improve sustainability, modernize the business and improve profit to government will not produce the best results. For example, simply reducing staffing levels would reduce costs but would not help improve the customer experiences or deliver innovation. OLG's current operating model for lottery terminals and supporting technology could be updated but it would be costly to replace the outdated infrastructure with public funding.

Over the next five years, simply maintaining existing OLG infrastructure will require an additional investment of \$1 billion in public funds. Major improvements to transform and modernize OLG's infrastructure could cost taxpayers up to \$3 billion.

Substantial change to the business within the current model could be costly, risky and unpalatable to many stakeholders. In one potential scenario, by 2017, due to the declining participation of younger adult players, the impact of technology and cross-border competition, annual profit to government could decline by \$400 million.

OLG IN THE FUTURE

In the future, OLG will be an efficient, modern organization committed to delivering sustainable lottery and gaming entertainment that serves the needs of Ontario players and visitors in a way that benefits the province, its communities and its people while leading North American funding for responsible gambling.

Combined with previously announced plans for iGaming and efficiencies, this proposed reform could see key public priorities like health care and education benefit from additional annual Net Profit to the Province of \$1.3 billion by 2017. Over the six-year period of the transformation, OLG will provide an additional \$4.6 billion to the Ontario government.

Employment will grow by over 2,300 net new jobs in the industry (in new gaming facilities and related amenities as well as in digital gaming design and management) as well as an estimated 4,000 service sector jobs in hotels, restaurants, entertainment centres and retail.

Ontario will continue to be a North American leader in responsible gambling—and support for research and treatment will increase.

As overall revenues increase, Ontario's First Nations communities will also continue to receive financial benefit from the industry—at a level higher than today's. Host municipalities would have a consistent model for funding support but overall will receive more than the current level, based on planned growth.

Ontario will see an additional \$3 billion in new private sector capital investment in the province. The capital costs of expanding, improving or simply maintaining gaming facilities will not be carried by taxpayers. The private sector will take on the role of building new gaming facilities or expanding existing ones. The costs to the

public to own and operate lottery and gaming will be significantly reduced. Regulated private sector providers will help define where the market for new facilities exists, consistent with government policy, responsible gambling standards and municipal approval. OLG and the government will retain the right to approve the location of any new site.

OLG will become a more sustainable organization that ensures that Ontario residents and visitors can play more innovative and fun games in a responsible way. OLG will continue to be the lead agency for lottery and gaming in Ontario, but no longer be directly delivering all lottery and gaming services. The future OLG will set standards for the customer experience, but allow the private sector to decide specifics. OLG will set standards for access, integrity, security and responsible gambling. In the long term, OLG will likely have a small operational footprint—it will do less. The organization will instead focus on core customer management, delivering a leading responsible gambling program, as well as overseeing the regulated private sector providers and the implementation of government gaming policy. Ultimately, Ontarians will benefit from a more effective, more valuable operation.

The tourist experience of gaming entertainment in Ontario will be enhanced. It will be easier for Ontario businesses to participate with OLG in lottery or gaming-related opportunities. OLG will become a more efficient organization focusing on well-defined control and oversight functions, rather than day-to-day operations.

HOW DO WE GET THERE?

This report makes three recommendations for systemic change. If followed as a whole, these recommendations will profoundly change the lottery and gaming industry in Ontario, rendering it more sustainable, more efficient and more valuable for the people of the province.

ONE / Become More Customer-Focused

Like any commercial operation, OLG needs to be responsive to customers. Gaming across the province needs to better reflect what customers want and should be closer to them.

OLG is recommending the expansion of lottery sales options to multi-lane retailers, including supermarkets and big box stores, while continuing to support convenience store retailers.

OLG is also recommending that government allow for the expansion and consolidation of gaming sites, based on customer interest. The government should allow gaming

facilities to be located where customers are. As part of this effort, slot facility locations should not be limited to racetracks.

As is current practice, municipalities will continue to receive financial support from the gaming operations in their communities through a portion of gaming revenue for the benefit of the community. However, OLG should introduce a consistent fee model for host municipalities. This would facilitate the introduction of a mix of games at sites. Funding levels should continue to be determined by customer volume.

TWO / Expand Regulated Private Sector Delivery of Lottery and Gaming

OLG needs to engage the private sector in building a new model for gaming in Ontario—while OLG maintains control and accountability. In order to enable efficient operations, avoid public expenditure on capital and address interest in land-based gaming, OLG should expand private sector participation in the efficient, effective delivery of casinos and gaming products. The first step would be for OLG to develop a competitive and transparent procurement process for these activities. The result would be regulated private operators selected to run existing and new sites.

OLG would manage the provincial market and the private sector would invest in it. New locations would be subject to the approval of host municipalities.

In lottery, OLG should shift the day-to-day operation of its lottery network to a regulated private sector operator. There should also be an expansion of retail options for lottery sales including multi-lanes in large stores, the internet and mobile devices. At the same time, OLG should allow for regulated private sector game development to foster innovation and increase responsiveness.

THREE / Renew OLG's Role in Oversight of Lottery and Gaming

OLG should improve both its business and infrastructure systems to appropriately manage all customer interaction from lottery to internet to casinos. This would allow the organization to more efficiently fulfill its function as a manager, protector and steward of customer information. OLG should become a leaner, more efficient organization focused on well-defined market management and oversight functions. OLG will continue to work positively

with its regulator, the Alcohol and Gaming Commission of Ontario (AGCO).

At the same time, Ontario should continue to lead the continent in responsible gambling standards and expand research and treatment support. In any expansion of lottery and gaming, OLG must continue to provide safe gaming options and commit to increased environmental practices.

These three recommendations should be seen as a comprehensive approach to modernizing the gaming sector and they should not be implemented individually. This systemic reform of the sector is substantial and it has significant implications for various stakeholders. Some of these considerations are outlined throughout the recommendation section.

The following chapter outlines in detail each of the three recommendations for the modernization of gaming in Ontario. This approach, together with OLG’s ongoing initiatives, will, by 2017–18, provide an additional \$1.3 billion in annual Net Profit to the Province and create about 2,300 net new industry jobs—and an estimated 4,000 jobs in hotels, restaurants, entertainment centres and retail.

The estimate for increased Net Profit to the Province is based on the following:

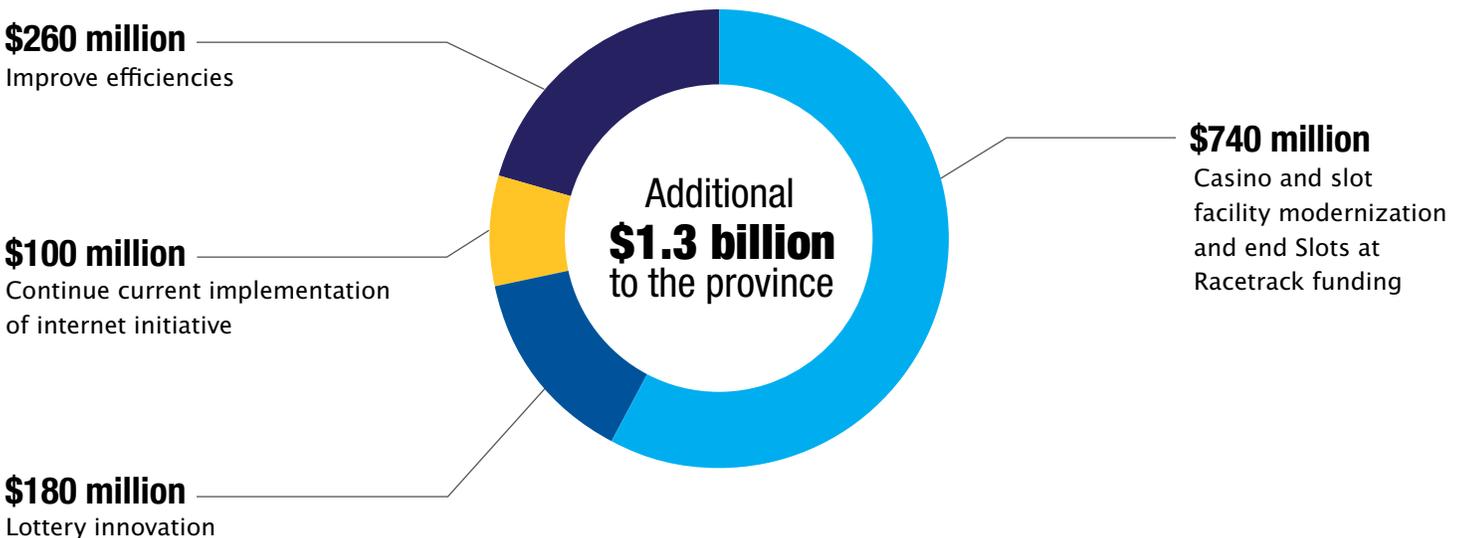
- Modernize and shift the day-to-day operation and capital development of gaming facilities to private sector; build new facilities based on customer interest; renegotiate the funding formula for municipalities to allow for a broader game offering; end the funding formula for slots at racetracks: about \$740 million increase in Net Profit to the Province annually.

- Modernize and shift the day-to-day operation of the lottery network to private sector operators; invest in new player technology; allow private sector to design lottery games; expand distribution of lottery through new channels: about \$180 million increase in Net Profit to the Province annually.
- Deliver a full range of games on the internet through an online site accessible by computer and other internet-connected devices including lottery ticket sales, interactive casino-style games (against the house) and peer-to-peer games (like poker): about \$100 million increase in Net Profit to the Province annually.
- Improve efficiencies at OLG as it focuses on being a smaller organization focused on market management and a leader in responsible gambling: \$260 million increase in Net Profit to the Province annually.

Ontario is facing a large deficit and over six years, as the plan is implemented, OLG would contribute an additional \$4.6 billion for critical services like health care and education.

All told, these initiatives would widen the appeal of gaming. OLG would broaden the player base by becoming more appealing—not increasing the amount that current customers gamble. These initiatives would also substantially reduce the amount of public capital invested in gaming sites and lottery infrastructure and encourage efficiency and innovation.

Additional Net Profit to the Province



RECOMMENDATION ONE

Become More Customer-Focused

Like any commercial operation, OLG needs to be responsive to customers. Gaming across the province needs to better reflect what customers want and should be closer to them.

OLG is recommending the expansion of lottery sales options to multi-lane retailers, including supermarkets and big box stores, while continuing to support convenience store retailers.

OLG is also recommending that government allow for the expansion and consolidation of gaming sites, based on customer interest. The government should allow gaming

facilities to be located where customers are. As part of this effort, slot facility locations should not be limited to racetracks.

As is current practice, municipalities will continue to receive financial support from the gaming operations in their communities through a portion of gaming revenue for the benefit of the community. However, OLG should introduce a consistent fee model for host municipalities. This would facilitate the introduction of a mix of games at sites. Funding levels should continue to be determined by customer volume.

CONTEXT IN LAND-BASED GAMING

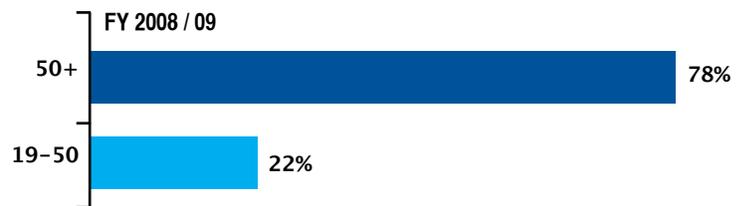
Historically, government has maintained the location and size of facilities, based on priorities that were not always responsive to customers. As a result, at some sites there are too many slot machines. In other markets however, particularly in the Greater Toronto Area, customer interest is not being met.

Three of Ontario's resort casinos, as well as five OLG facilities, are adjacent to the U.S. border, making it easier for U.S. travelers to visit. However, due to competitive U.S. casinos, the rise in the Canadian dollar, the rising price of gas and the increasing security at the border, the number of visiting U.S. customers has declined. (Sources: Bank of Canada, Ontario Ministry of Tourism, Culture and Recreation.)

Slot facilities currently, with few exceptions, are not located near population-dense urban centres—where the majority of Ontarians live.

The gaming facilities in this province were, by and large, designed over a decade ago and not only have customer preferences evolved since then, so too has technology. The customer base for gaming is aging rapidly. Adult players under 45 typically do not play slot machines. Adult customers under 45 who do visit casinos overwhelmingly prefer to play table games like black jack and poker.

Gaming Customer Age



The requirement to locate slots at racetracks limits site locations and impedes OLG's ability to serve customers closer to where they live and is therefore not responsive to customer interest.

Based on the current Slots at Racetrack program, the horseracing sector is projected to receive \$345 million (2011-12). Since the program was launched, horsepeople and racetrack owners have received over \$3.4 billion.

OLG is also limited in the game mix it can offer to customers due to current municipal funding arrangements. If OLG were to change the game mix, the cost to OLG would be prohibitive.

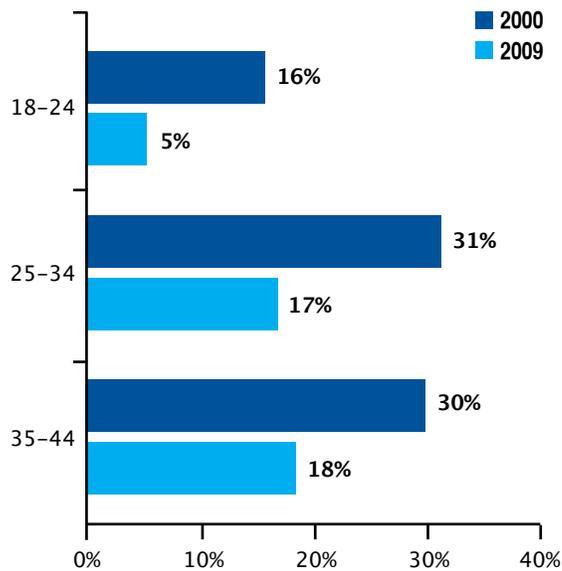
Municipalities where gaming facilities exist benefit in a number of ways from gaming. Tourist appeal, employment, the use of local suppliers and economic

development all expand when gaming facilities are located in a community. In addition, host municipalities generally receive a percentage of slot revenue. In 2011–12, host municipalities are forecasted to receive about \$92 million from slot and casino revenues.

CONTEXT IN LOTTERY

Since lottery games were introduced over 35 years ago, the desires of customers have evolved and technology has advanced considerably. Ontarians purchase lottery products through a retail clerk who hands them a paper ticket. OLG has a largely paper-based lottery system in an economy that is increasingly paper-free.

Core Lottery Players



The decline in participation in lottery by players under 45 has been severe in recent years. Overall, the average age of the player base is increasing, and current lottery games in existing channels do not attract players under 45.

Major lotteries outside North America have established internet lottery to attract adults under 45. Norsk Tipping, the Norwegian national lottery, for example, produces over 10 percent of sales over the internet, with tight responsible gambling restrictions and age verification.

In other jurisdictions, lottery tickets are sold across all lanes in grocery stores. Quebec has multi-lane sales and British Columbia has internet lottery ticket sales options. Camelot UK Lotteries Ltd., the UK National Lottery operator, achieved strong results in about five years in conjunction with a fast-pay card. Responsible gambling research indicates that e-cards for play help to combat problem gambling.

Ontario's sales model does not fully meet the needs of today's customers. There are about 10,000 terminals across the province and the vast majority are in convenience stores. OLG continues to rely heavily on convenience (and convenience with gas) stores for the primary delivery of lottery tickets (some two-thirds of sales), while Ontarians are shopping more frequently at large retailers such as supermarkets and big box stores. Lottery sales have, though, become an increasingly critical component of the convenience store business.

DESCRIPTION: CUSTOMER FOCUS

Like any commercial operator, OLG needs to be able to expand or contract gaming sites, based on customer interest—and always with consideration of OLG's responsible gambling priorities.

New or relocated gaming sites would only go to municipalities that have explicitly approved them and where there is a clear business case. OLG and the government would continue to have the right to approve new or relocated gaming sites.

In lottery, OLG needs to improve the customer experience by offering lottery tickets in more locations where people currently shop. This would mean expanding sales to multi-lanes in supermarkets and big box stores.

The Slots at Racetracks Program limits OLG's flexibility to locate gaming facilities near OLG customers. Furthermore, the formula restricts OLG's ability to maximize revenues for key government priorities. As such, the Slots at Racetracks Program should be drawn to a close.

To improve the ability to offer a mix of games at sites, OLG should establish a fair and simple funding model that would supply a portion of slot machine revenue to host municipalities, independent of the type of facility.

A straightforward formula would have two key benefits:

1. Make the formula consistent across municipalities.
2. Provide flexibility for the decision to add table games or other new games, based on customer interest, municipal consent and OLG's provincial market plan.

Once existing site holder agreements have been terminated, OLG will engage in negotiations on new arrangements for OLG and/or private sector vendors to occupy space at racetrack locations where there is customer interest.

Casinos that are operated in cooperation with First Nations have separate agreements that are subject to current contracts.

KEY CONSIDERATIONS

- Convenience stores are expected to continue to be the source of the majority of lottery ticket sales.
- Convenience store lottery terminal locations will continue to be a priority.
- New games, enabled by third party developers, would add to lottery sales in convenience stores.
- Employment is growing annually in Ontario's digital media sector. With the addition of expanded opportunities in lottery, there would be additional growth in game design jobs.
- New lottery sales options must be consistent with Ontario responsible gambling standards.
- New contractual arrangements with racetracks and municipalities will require the re-negotiation of existing arrangements, with sufficient notice.
- The majority of host municipalities would continue to receive the same benefit under a revised formula.
- New arrangements should ensure that municipalities retain the ability to use funds as they see fit, as is current practice.
- With municipal council approval, a new facility in the Greater Toronto Area or elsewhere in the province would increase revenue to that municipal government.
- Explicit municipal consent would be required for any host community.
- Any new facility proposal would include government sign-off and oversight, AGCO registration, a business case completed by OLG, and the need for local community consultation, support and approval.

RECOMMENDATION TWO

Expand Regulated Private Sector Delivery of Lottery and Gaming

OLG needs to engage the private sector in building a new model for gaming in Ontario, while OLG maintains control and accountability. In order to enable efficient operations, avoid public expenditure on capital and address interest in land-based gaming, OLG should expand private sector participation in the efficient, effective delivery of casinos and gaming products. The first step would be for OLG to develop a competitive and transparent procurement process for these activities. The result would be regulated private operators selected to run existing and new sites.

OLG would manage the provincial market and the private sector would invest in it. New locations would be subject to the approval of host municipalities.

In lottery, OLG should shift the day-to-day operation of its lottery network. There should also be an expansion of retail options for lottery sales including multi-lanes in large stores, the internet and mobile devices. At the same time, OLG should allow for regulated private sector game development to foster innovation and increase responsiveness.

CONTEXT

OLG is currently responsible for 23,000 slot machines and over 500 games tables in Ontario as well as 27 gaming facilities and over 10,000 lottery terminals. Currently, any maintenance and improvements to facilities or products require public sector investment. At the same time, the Ontario government has been using alternative financing and procurement processes to invest in public capital projects, such as hospitals.

OLG directly employs about 7,700 people at sites and facilities as well as at head offices sites. Through the privately-operated gaming sites, there are about 10,000 indirect employees. OLG assumes the cost of these employees as well.

Today, the commercial operators working with OLG compete with OLG for customers. A private sector provider will not invest in a market where it is asked to share customer information with OLG while competing with OLG's owned and operated sites.

At the same time, OLG facilities in need of capital improvements rely on public funds to do so. Any new facility, under current arrangements, would be built with public dollars. OLG could focus more clearly and more effectively on its role as the operating mind of the gaming sector by bringing in the private sector for capital investment and some operating expenses.

In consideration of maintaining profit to the Province, OLG has under-invested in the infrastructure required to run its lottery business over the last five to 10 years.

The lottery and shared services divisions of OLG are operating on a patchwork of outdated systems that require significant maintenance to keep running. Direct ownership of the technology has created extensive financial and labour commitments across the province.

The lottery terminals are also not being used at capacity—namely, they are only used for lottery tickets, though other options are technically available (such as phone cards and iTunes® cards). The terminals are almost fully depreciated and will soon need to be replaced.

DESCRIPTION: GAMING

OLG could engage regulated private operators to run the day-to-day operations of all existing OLG-operated gaming facilities and all new facilities. They would be paid a fee for this work.

To do so, OLG should implement a consistent set of terms and conditions for operating a land-based gaming site in Ontario that is fair, transparent and that encourages private sector investment. Location and site designs would be approved and overseen by OLG, but initiated, built and paid for by the private sector.

OLG needs to establish a level playing field by establishing a consistent private operating model that gives regulated providers the incentive to operate in their own interests, while OLG controls the parameters of gaming, maximizes Net Profit to the Province and ensures Ontario's responsible gambling standards are upheld.

This would include identifying distinct gaming zones where existing or new gaming sites could be permitted. These defined gaming zones will help reduce the impact of one gaming site upon another. Customer interest should determine the size and genre of gaming facility in a zone.

The right to operate in a particular geographic area should also be determined by OLG. Regulated private sector operators would have defined rights to operate land-based gaming inside the boundaries of a zone. In advance of an open, transparent procurement process to obtain operating rights, a map of zones, their definitions and their parameters should be planned by OLG in consultation with stakeholders.

Should OLG move out of the daily operation of facilities, OLG's current direct employees at gaming sites could have the option of working at privately-operated facilities.

OLG could also transfer the assets that are required to operate business to the regulated private sector providers. And in the future, the private sector would build and own new capital assets. By reducing OLG's interest in capital assets, regulated operators could finance their expansion plans through capital markets.

OLG would be the sole steward of customer information and would determine market management principles for all sites.

ONTARIO FIRST NATIONS

The Province has a funding arrangement with Ontario First Nations whereby OLG distributes 1.7 percent of total revenue (estimated at \$117 million in 2011-12) to the Ontario First Nations Limited Partnership, 2008 (OFNLP, 2008). The funds are to be distributed to Ontario First Nations for use in education and health initiatives as well as economic, social and community development. With this plan, payments to OFNLP are expected to increase.

In addition to the two current gaming locations (Casino Rama and Great Blue Heron Charity Casino) on First Nations land, Ontario First Nations should be free to bid in OLG's procurement process, either as a solo proponent or in partnership with other organizations, for the opportunity to operate in a zone.

DESCRIPTION: LOTTERY

Based on defined criteria, customer interest and Ontario's responsible gambling standards, private operation of the lottery distribution network would enable a selected vendor to determine the distribution and location of future lottery terminals.

While maintaining the integrity of lottery games, OLG should shift the day-to-day operation of the lottery network to a regulated private sector operator. A private operator of the terminal network would have the incentive to work with convenience store owners to save money and expand the services they provide via lottery ticket terminals. This would also enable the introduction of new points-of-sale for lottery products including multi-lane checkouts in large stores, mobile devices and home personal computers.

Lottery terminals have the potential to provide many more services—and could do so with private sector investment. These services could include the ability to sell phone cards, gift cards and iTunes® cards. This would help retailers to reduce inventory costs.

OLG should also consider various approaches to reusable tickets such as stored value cards or RFID (Radio Frequency Identification) cards. A stored value card is similar to a phone card and an RFID card could store a customer's preferred numbers—and allow the customer to check his or her numbers. These innovations would be carried out in consultation with Ontario's Privacy Commissioner.

The introduction of new capabilities for lottery terminal devices should, first and foremost, maintain the integrity of games and could also focus on several areas:

- Effectiveness of store operations (automation of paperwork, just in time inventory management)
- Operational cost reductions (security/surveillance, monitoring, alarms)
- Connectivity for Point-Of-Sale (leveraging the high speed network)
- Communications ability (phone, fax, internet)
- New revenue generation (prepaid services, instant coupons, gift cards, digital signage, government services, etc.)
- Additional services (connectivity for micro payment solutions, Wi-Fi connectivity, etc.) and all while maintaining the integrity of the games.

OLG should set the standards for external developers to create new and innovative games. This should also encourage the faster development of new games that appeal to new customers.

KEY CONSIDERATIONS

- Considerable interest exists among private sector stakeholders to invest and to assume a greater role in operations.
- Private sector operators would be able to run operations more efficiently and effectively.
- Private sector experts in technology support and channel sales have indicated interest in working with the largest lottery jurisdiction in Canada—and one of the largest markets in North America.
- Competitive procurement process will need to consider parameters of geography, population, tourism zones and proximity to the U.S.
- The procurement process will also need to account for existing bingo locations and current private sector investments.
- OLG will continue to be responsible for setting the rules, the odds and the payments as well as conducting the draws for all lotteries in Ontario.
- It is important to OLG to make sure that lottery terminals maintain the highest security standards.
- OLG will control game integrity and design while managing the private sector's access to the market.
- OLG will work with the private sector to ensure that customers are served in all parts of the province.

RECOMMENDATION THREE

Renew OLG's Role in Oversight of Lottery and Gaming

OLG should improve both its business and infrastructure systems to appropriately manage all customer interaction from lottery to internet to casinos. This would allow the organization to more efficiently fulfill its function as a manager, protector and steward of customer information. OLG should become a leaner, more efficient organization focused on well-defined market management and oversight functions. The OLG will continue to work

positively with its regulator, the Alcohol and Gaming Commission of Ontario (AGCO). At the same time, Ontario should continue to lead the continent in responsible gambling standards and expand research and treatment support. In any expansion of lottery and gaming, OLG must continue to provide safe gaming options and commit to increased environmental practices.

CONTEXT

The lottery and gaming marketplace is comprised of a number of different sectors, industries, regulated and unregulated operators, as well as provincial and federal bodies that oversee, regulate, and set standards in the lottery and gaming business.

OLG, often referred to as the “operator”, is a Crown agency of the Ontario government with responsibility for “conducting and managing” lottery games, a number of casino gambling facilities and charitable gaming centres (i.e. bingo halls with electronic games). The *Criminal Code* sets out the parameters under which lottery and gaming is legal in Canada. Under the Code, gaming may only be “conducted and managed” by the province or certain licensed entities. OLG “conducts and manages” lottery and gaming on behalf of Ontario, in accordance with the Code.

AGCO, often referred to as the “regulator”, is also a Crown agency of the Ontario government, responsible for the regulation of resort casinos, facilities directly operated by OLG: OLG casinos, slot facilities at racetracks, and lotteries conducted by OLG. AGCO’s responsibilities also include a range of other responsibilities, such as administration of the *Liquor Licence Act*.

Historically, OLG has been responsible for the oversight and operation of its gaming sites. This has resulted in a large proportion of the organization dedicated to operations.

Today it is more appropriate for OLG to focus on customer information, market management, oversight and responsible gambling. Other Canadian jurisdictions have moved to more modern approaches to the operation of lottery and gaming.

When Ontario expanded gaming beyond resort casinos, the most accessible way at the time to demonstrate control was to own and operate all facets of the gaming experience. Since then, technology has advanced considerably and OLG’s experience in gaming has evolved.

Currently, OLG is working on a number of initiatives to help position the organization for change and help it function more efficiently.

For example, OLG’s knowledge of its customers today is managed and secured across multiple business units and shared services, both internally and via third parties. OLG’s customer database includes:

- almost 2 million Lottery players
- 2.6 million Slots & Casino players; and
- over 5 million Resort Casino players.

BCLC

The British Columbia Lottery Corporation (BCLC) determines where gaming facilities go. BCLC owns the games and the game management system as well as the loyalty program. BCLC works with the private sector on where and how gambling opportunities will be made available. Private sector providers supply the facilities and operate casinos.

OLG is currently implementing an advanced gaming management system that will allow for an integrated view of all operations as well as all product and customer behaviour across all properties.

While the majority of Ontarians gamble without any detrimental impact, a small portion develop moderate to severe gambling problems.

Ontario is an acknowledged North American leader in Responsible Gambling prevention, research, and treatment. This province has one of the broadest networks of gambling counselors and some of the world's leading thinkers and practitioners in the field. These specialists and experts inform OLG's Responsible Gambling program.

DESCRIPTION

OLG should renew its approach (consistent with that of other provinces) to focus more on what is required for the successful operation of a modern gaming model including:

- customer and game management (customer touch points, databases, approval of marketing programs).
- market management (channel strategy, high-level planning for new gaming sites, product strategy);
- oversight (integrity, security, legal compliance);
- and responsible gambling.

DESCRIPTION: CUSTOMER INFORMATION

OLG should become a leader in customer information data. Reliable and consistent customer information is important from both a customer-preference and responsiveness point of view as well as for responsible gambling purposes.

OLG should adopt a "privacy by design" strategy to ensure careful stewardship of the personal information contained in OLG's customer database. This will safeguard customer privacy and ensure—among other things—that personal information is used only for defined and express purposes.

OLG will continue to seek the expertise and guidance of the Ontario Information and Privacy Commissioner on how best to embed best-in-class privacy protections in its data management systems.

DESCRIPTION: OVERSIGHT

It is important however, to retain a government presence where the public interest needs to be protected. Lottery and gaming are forms of entertainment widely enjoyed by millions of Ontarians so it is critical that OLG maintain a substantial degree of control over how they are run.

There must be OLG-set standards for access, integrity, security and responsible gambling. In the long term, OLG will likely have a small operational footprint—it will do less—but maintain oversight over the gaming experience in Ontario. Ultimately, Ontarians will benefit from a more modern, more sustainable and more valuable operation.

Under the transformed model for gaming, OLG would continue to define all policies and set thresholds for number of sites and games. For example, OLG would determine the maximum number of gaming devices in any site or geographic area. OLG would also set policies in relation to marketing activities and maintain the enterprise brand.

OLG would also help ensure legal compliance (along with AGCO and the OPP) in areas such as money laundering, investigations, fraud and collusion.

All told, OLG would be a much smaller organization focused on customer information, market management, the oversight of a portfolio of private operators as well as responsible gambling.

RESPONSIBLE GAMBLING

In a transformed industry, OLG would continue to set policies and help establish Ontario's Responsible Gambling standards—maintaining and improving its current leadership in the responsible gambling field.

OLG will continue to provide North American leadership in responsible gambling by:

- maintaining a strong funding base;
- ensuring all operations meet rigorous external standards
- advancing technology practices;
- integrating safe measures into overall customer experience; and
- continuing ongoing partnerships with independent provincially-funded agencies.

The evolution of technology to support customer decisions while gambling enables greater personal control and the collection of data. This information helps OLG better understand how it can encourage players to make informed choices. OLG plans to promote a new suite of individually-directed help services being developed by the Centre for Addiction and Mental Health, including a world-first internet counseling program for gamblers. Facial recognition technology, now being rolled out by OLG, allows facilities to better detect those who have signed up for the voluntary self-exclusion program.

“OLG supports and engages with a wide range of stakeholders, and demonstrates its commitment to innovation through its support for players ... by actively reaching out to support and counselling services.”

World Lottery Association’s award letter to OLG for Highest Certification for Responsible Gambling programs

These external controls will ensure that OLG’s program is continually evaluated and improved so that it meets the best interests of Ontarians.

OLG’s role is to help prevent problems from occurring and to assist those who need it. In order for gaming to continue to be a safe, sustainable option for Ontarians and visitors, OLG wants to ensure a broad base of sustainable players who can gamble safely and play for many years. It is not in the interest of OLG or Ontario to attract problem gamblers.

OLG’s future role should be to continue to build on a culture of responsibility where front line staff can identify and respond to players who need help as part of basic customer service. At the same time, OLG will direct and require operators of lottery channels and gaming sites to exceed regulatory compliance standards. OLG will provide operators with strategic and tactical support, performance evaluations, incentives, and plans for improvement. Ontario must continue to expand its leadership in the responsible gambling field, so OLG recommends increasing funding.

SAFE PLAY

Fair gambling is the foundation of player trust. In Ontario, games of chance are run with regulated and transparent odds, pay-out ratios, game mechanics and money management. Facilities and sales channels are monitored and well supported by licensed security officers, EMS trained staff, and as part of the oversight of the AGCO (Alcohol and Gaming Commission of Ontario), by the presence of the Ontario Provincial Police. All gaming staff in Ontario are “Smart Serve” trained on the service of alcohol, and strict age verification requirements support lottery sales and access to gaming facilities. This would continue in a transformed gaming industry.

GREEN GAMING

Gaming in Ontario is going green. For over four years, OLG’s Bet On Green program has been lessening the environmental impact of OLG’s operations, promoting environmental awareness to employees, increasing green awareness among customers and helping OLG become a global leader in energy-efficient gaming. The program focuses on paper reduction, employee engagement, customer education and reducing energy consumption.

In new and renewed facilities, OLG will have the opportunity to increase environmental efforts. New buildings are likely to be LEED (Leadership in Energy and Environmental Design) certified—as are OLG’s most recent gaming site developments. Other current strategies could also extend to any new operations, including:

- ongoing paper reductions;
- and the use of environment-friendly certified cleaning products.

KEY CONSIDERATIONS

- Employees would be affected by OLG’s focus on oversight instead of all direct operations. Depending on decisions, there would be a transition period as many employees move from OLG to a private sector operator.
- Consider appropriate balance between customer knowledge for responsible gambling and business marketing purposes and privacy concerns.
- While increasing the role of the private sector in the delivery of lottery and gaming, it is even more important to focus on oversight and responsible gambling.
- Security and safe lottery and gaming are critical values to Ontario and must be maintained by OLG.

APPENDIX I

Internet and Charitable Gaming

INTERNET GAMING

While only provinces or their designates are allowed to operate betting or lottery schemes under the *Criminal Code of Canada*, Ontarians wager an estimated \$400 million on gambling websites that are not authorized in Ontario. The British Columbia Lottery Corporation and the Atlantic Lottery Corporation have created authorized internet lottery and gaming sites and Loto-Québec also recently initiated “espacejeux” for online gaming in December of 2010.

When it is first launched in late 2012 (and fully in 2013), OLG’s internet gaming site will uphold standards aimed at protecting players from risks such as problem gambling

and identity theft or financial fraud. Over the first five years of operation, internet gaming is estimated to deliver a cumulative \$375 million in Net Profit to the Province and create about 50 jobs (both at OLG and in the industry) in Ontario.

Following a staged rollout of products, OLG will deliver a full range of games on the internet through an online site accessible by computers and other internet-connected devices offering lottery ticket sales, interactive casino-style games (against the house) and peer-to-peer games like poker.

EXPANDED CHARITABLE GAMING

OLG will roll out a standardized suite of paper and electronic games to all interested bingo halls in Ontario. (The suite of games will not include slot machines.) OLG will offer Bingo, Break-Open Tickets, Raffles and Lottery games or variations of these games to be played on paper, electronic devices or delivered through electronic

dispensing units. Over eight years of operation, this Charitable Bingo and Gaming initiative will deliver about \$475 million for Ontario charities. This initiative will create hundreds of part-time jobs while preserving the role of the thousands of volunteers who are currently involved in community-based charitable activity.

APPENDIX II

Stakeholder Consultations

To support Strategic Business Review, from January 2011 to June 2011, OLG conducted a stakeholder consultation to:

- hear stakeholder perceptions on the future of lottery and gaming in Ontario;
- learn about best practices from within the province and around the world; and
- identify opportunities to work with the private sector or stakeholders in new ways.

The Strategic Business Review team met with over 50 stakeholder groups from across the province and in a number of other jurisdictions. The consistent message from stakeholders was that the current model of lottery and land-based gaming in Ontario needs to change substantially in order to meet customers' needs.

The Review team met with representatives from First Nations, casino owners, responsible gambling researchers, racetrack owners, horsepeople, industry leaders, operators in other jurisdictions, convenience store operators as well as related government organizations.

Stakeholders raised three major issues:

1. Market Demand

Stakeholders felt that the future of gaming should be determined by the market. Expansion or reduction in the number of sites, slot machines, table games and lottery distribution must be considered in the context of under- or over-served markets in the province. The GTA is one of the most under-served gaming markets in North America.

“Economics should drive the thinking, and it has not. Historical thinking has been ‘slots are less than full casinos...’ Both slots per adult and tables per adult are dramatically under proportion in the GTA compared to other large Canadian cities.”

Great Canadian Gaming Corporation, Consultation,
March 11, 2011

“OLG should be encouraging more private sector involvement or investment.”

Chippewas of Rama First Nation, Consultation, June 2, 2011

2. Private Sector Involvement

OLG should take advantage of the expertise of the private sector to reduce the burden of capital investment on a government agency. It should increase third party operators' participation in the market. The result would be a return based on a reasonable risk/reward and substantially smaller costs.

3. Re-define Purpose

OLG should re-define its role as an operator, focusing on minimizing social costs while improving customer knowledge. This should also include clarification of OLG's role in responsible gambling.

Stakeholders also raised concerns about:

- The need for clarity in the roles and purpose of OLG relationship with stakeholders
- Transparency of where funds are allocated
- Transparency of relationships across the sector
- Efficiency of process
- Effective use of technology
- Fair implementation of rules and restrictions
- Communication from OLG should be consistent, respectful and timely
- Government should be at the forefront of responsible gambling initiatives (particularly in regard to online gaming)

LIST OF STAKEHOLDERS

- A** **Alberta Gaming and Liquor Commission (AGLC)**, Gerry McClennan
Alcohol and Gaming Commission of Ontario (AGCO), Jean Major, Don Bourgeois, George Sweny
Aristocrat Technologies, Seamus McGill, Christopher C. Rowe, Keith Wood, Robert A. Perry, Brendan McCarthy, Ron Baryoseph
- B** **Bally Technologies**, Bruce C. Rowe, Robert J. Parente, Tina M. Kilmer, Stan Kozlowski, James Marino, Derik Mooberry
Boardwalk Gaming and Entertainment, Jordan Gnat
Boyd Gaming Corporation, Laura De La Cruz, Samuel Johnson
British Columbia Lottery Corporation (BCLC), Michael Graydon, Marsha Walden
- C** **Caesars Entertainment Inc.**, Tom Jenkin
Caesars Windsor, Kevin LaForet
Camelot Global Services Limited, Richard Wheeler, Mark Biscoe
Canadian Gaming Association (CGA), Bill Rutsey, Paul Burns
Canadian Niagara Hotels Inc., Dino DiCienzo Sr., Dino DiCienzo Jr.
Casinos Austria, Great Blue Heron Charity Casino, Arnold Block
Central Ontario Standardbred Association (COSA), Bill O'Donnell
Centre for Addiction and Mental Health (CAMH), Wayne Skinner, Barney Savage, Robert Murray, Nina Littman-Sharp, Nigel Turner
Chippewas of Rama First Nation, Chief Sharon Stinson Henry
City of Niagara Falls, Mayor Jim Diodati, Ken Todd
City of Windsor, Mayor Eddie Francis, Onoerio Colucci
Commercial Gaming Association of Ontario (CGAO), Peter McMahon
- D** **Delta Bingo**, Cameron Johnstone
Draft FCB, Sophie Mair, John Boniface, David Williams
- F** **Falls Management Company (FMC)**, Clare Copeland, Bruce Caughill
- G** **Golden Eagle Charitable Entertainment Centre**, Patrick Brett, Eric Luke, Chief Skead
Great Canadian Gaming (GCG), Vic Poleschuck, Rod Baker
GTech Corporation, Tom Dawley, Jay Gendron, Tim Simonson
- H** **HLT Toronto**, Lyle Hall, Rob Scarpelli, Drew Chamberlain
- I** **IGT**, Eric Tom, Chad Helm, Duane Frahm, Jeff Millar
Inter provincial Lottery Corporation, Liz Kneible
- K** **Konami Digital Entertainment Inc.**, Sam Constantine, Ross O'Hanley
- M** **Ministry of Tourism**, Steven Davidson, Michael Kurts
Mississaugas of Scugog Island First Nation and Great Blue Heron Charity Casino, Chief Tracy Gauthier, Kelly Larocca, Dela Charles
Mississauga First Nation #8, Chief Daybutch

- O** **Office of the Information and Privacy Commissioner (IPC)**, Brian Beamish, Michelle Chibba
Ontario Bingo Development Fund (OBDF), Peter McMahon
Ontario Charitable Gaming Association (OCGA), Lynn Cassidy
Ontario Convenience Stores Association (OCSA), Dave Bryans, Steve Tennant
Ontario First Nations Limited Partnership, 2008 (OFNLP, 2008), Randy Sault
Ontario Harness Horse Association (OHHA), Ken Hardy, Brian Tropea, Jim Whelan
Ontario Horse Racing Industry Association (OHRIA), Sue Leslie, Dr. Ted Clark, R. Glenn Sikura
Ontario Korean Businessmen's Association (OKBA), Kenneth Kim
Ontario Problem Gambling Research Centre, Judith Glynn
Ontario Teacher's Pension Plan (OTPP), Lee Sienna
Ontario Racing Commission, Rod Selling, John Blakney, Steven Lehman
- R** **R2 Gaming**, Rocco DiPaola, Ravi Sharma
Racetracks Ontario (for profit), Jamie Deacey, Robert Locke, Bruce Barbour, Alex Lawryk, Andrew MacIssac
Responsible Gambling Council (RGC), Jon Kelly
- S** **Saskatchewan Gaming Corporation (SGC)**, Twyla Meredith, Tony Coppola
Saskatchewan Liquor and Gaming Authority (SLGA), Barry Lacey
Scientific Gaming, Lorne Weil
Six Nations of the Grand River, Matt Jamieson
Standardbred Breeders of Ontario Association (SBOA), Anna DeMarchi-Meyers, Liz Wappels
Standardbred Canada, John Gallinger, Pat Kennedy, Tami McNivon, Doug McIntosh, Chris Roberts
- W** **Wauzhushk Onigum First Nation**, Chief Skead
WMS Gaming Inc., Dean Hendrickson, Dean Ehrlich, Amy Lipton, Bob Hayes
Woodbine Entertainment Group (WEG), Nick Eaves, Jane Holmes

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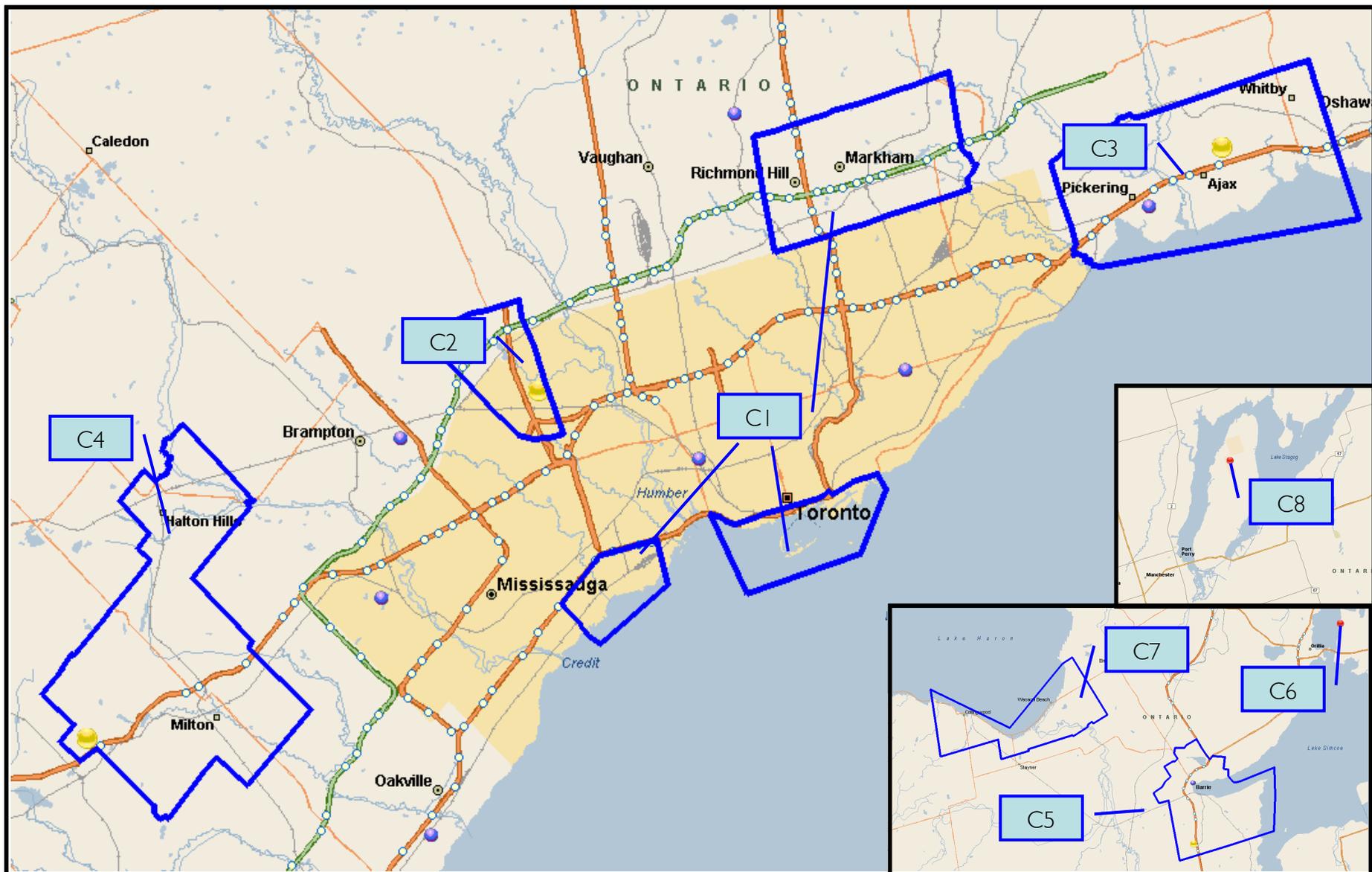
Appendix B to Schedule B

Gaming Zones

Central Ontario

Central Ontario Zones

● Bingo hall part of revitalization ● Existing facilities



Central Ontario: Zone C1

Existing facility: no existing facility

Facility description

- Location [new facility]
- Ownership structure [new facility]
- OLG-owned amenities [new facility]
- 3rd party amenities [new facility]
- OLG employees (FTEs) [new facility]

Gaming data

- Gaming area n/a
- Slot machines n/a
- Tables n/a
- OLG Gaming Revenues (FY12) n/a
- OLG Non-Gaming Revenues² (FY12) n/a
- Visitors/year (FY12) n/a

Other information

- Bingo halls part of OLG revitalization plan 0

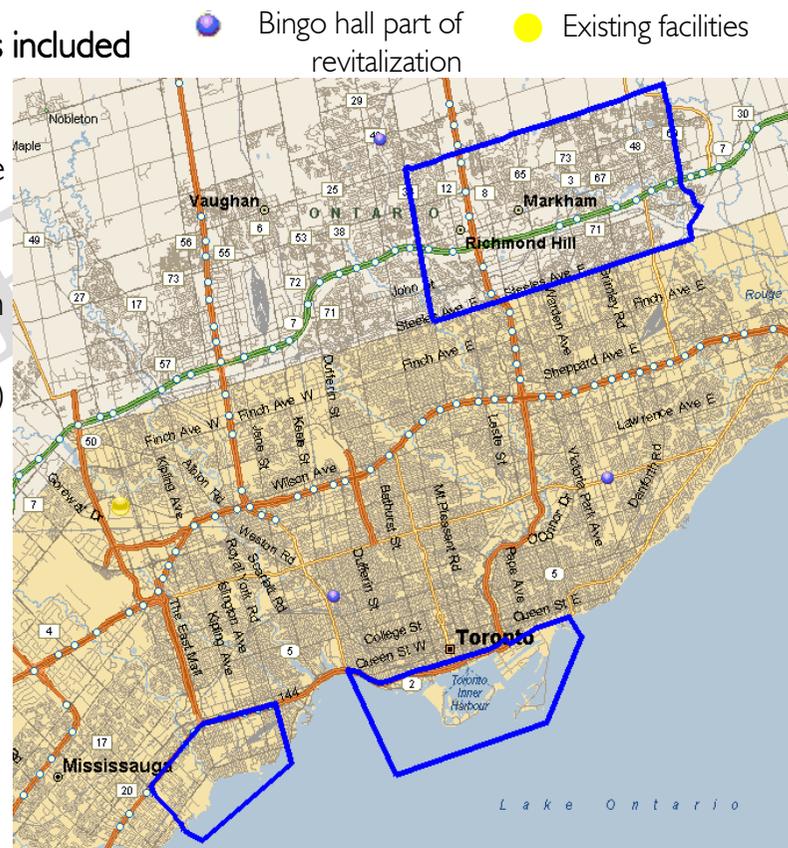
¹ Between zones C1 and C2, only one facility will be allowed up to 5,000 slots

² Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

- Potential sites include City of Toronto, Peel Region (City of Mississauga) and York Region (Markham, Richmond Hill)

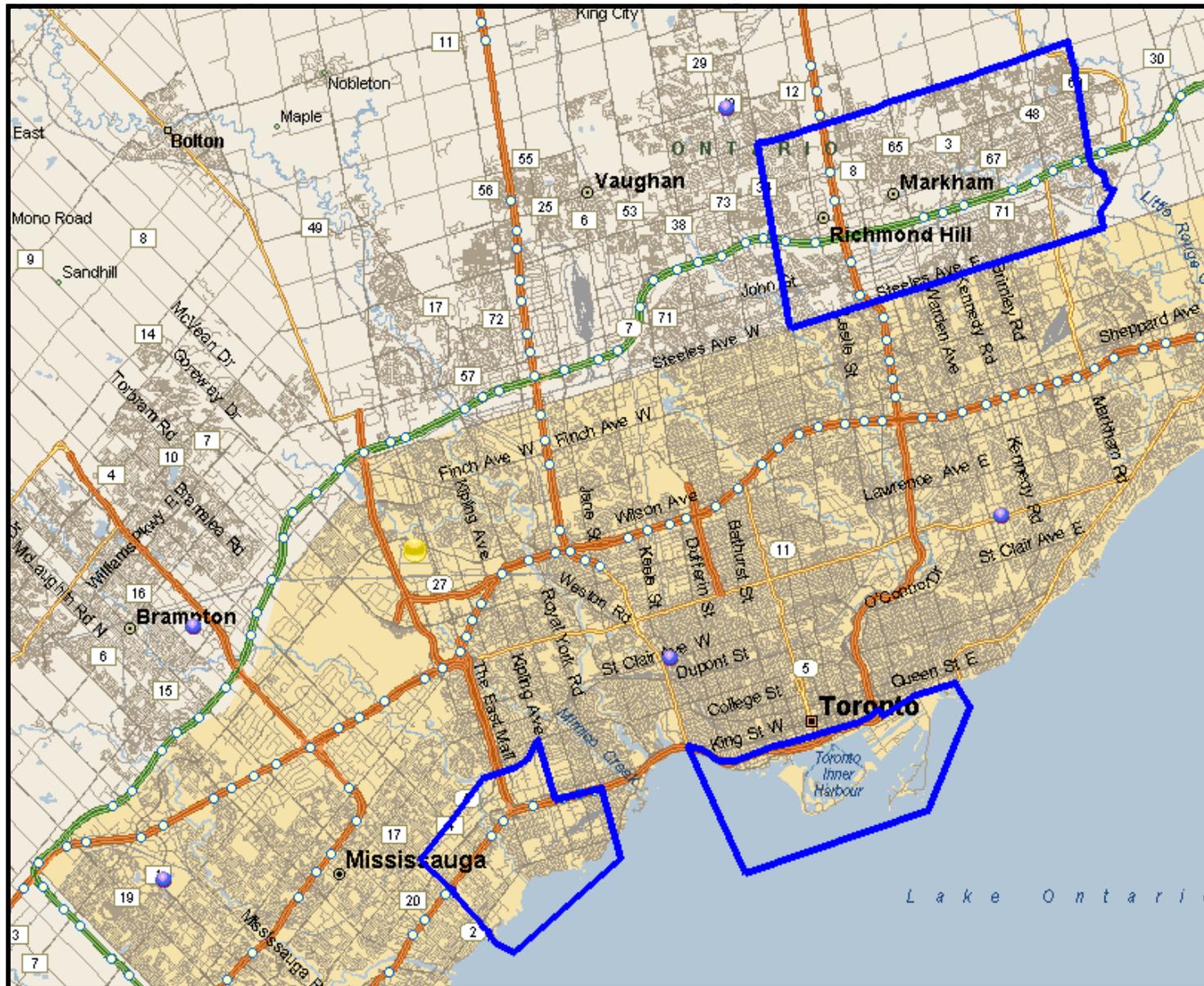


Gaming offering flexibility

- Maximum number of facilities 1 (in 1 of the 3 areas)
- Allowed range of slot machines Up to 5,000¹
- Allowed range of table games TBD

CI

 Bingo hall part of revitalization



Central Ontario: Zone C2

Existing facility: OLG Slots at Woodbine Racetrack

Facility description

- Location 555 Rexdale Boulevard
Toronto , M9W 5L1
- Ownership structure Leasehold - owned by
Woodbine Entertainment
Group (WEG)
- OLG-owned amenities None
- 3rd party amenities 1 Restaurant, 3 bars
- OLG employees (FTEs) 644

Gaming data

- Gaming area 74,887 sq. ft
- Slot machines going to 3000 by 31-Dec-12
- Tables 0
- OLG Gaming Revenues (FY12) \$593.3M
- OLG Non-Gaming Revenues² (FY12) \$0
- Visitors/year (FY12) 5,159,318

Other information

- Bingo halls part of OLG revitalization plan 0

¹ Between zones C1 and C2, only one facility will be allowed up to 5,000 slots

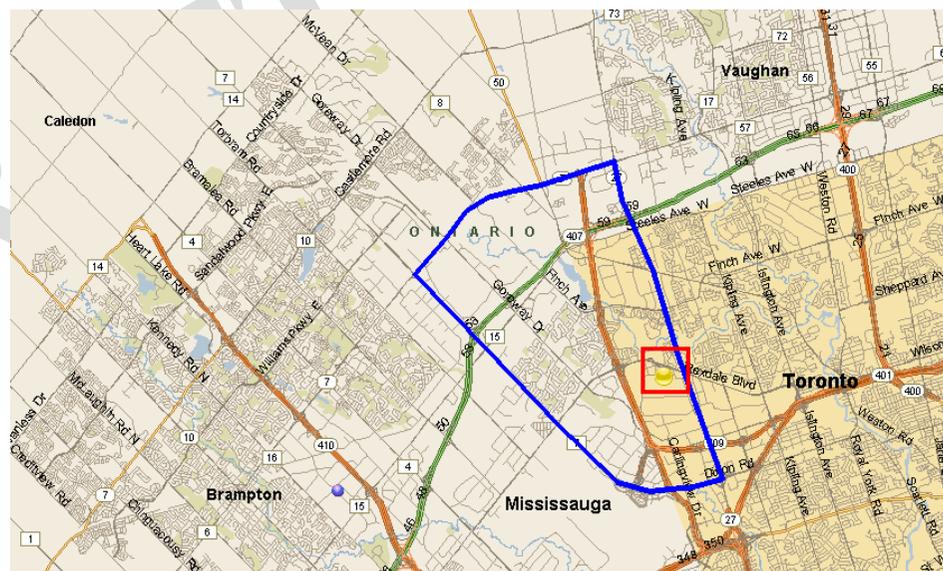
² Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

Current facility

- Zone includes City of Toronto, Peel Region (City of Mississauga, City of Brampton), York Region (City of Vaughan)

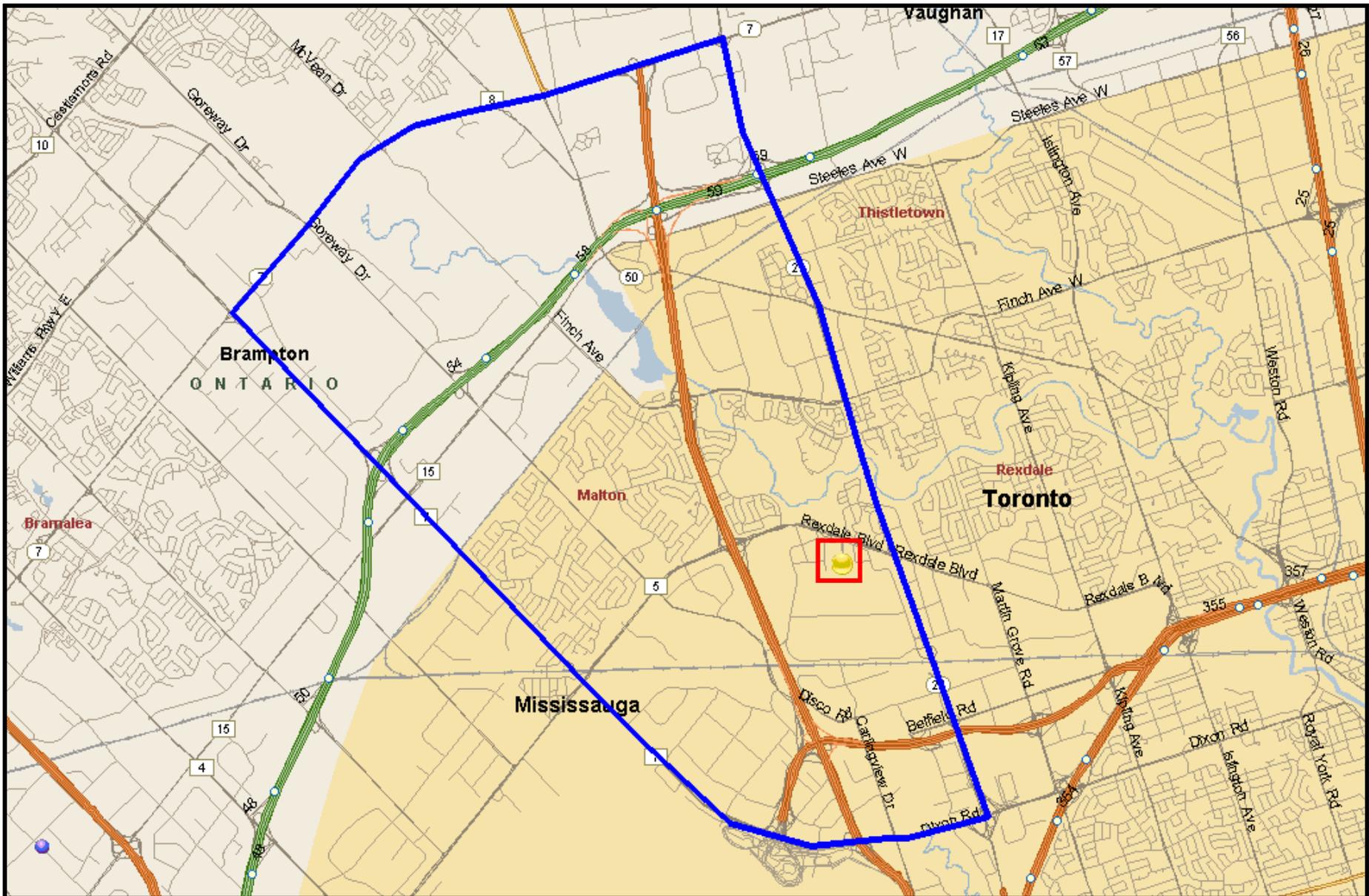


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 5,000¹
- Allowed range of table games TBD

C2

 Bingo hall part of revitalization  current facility revitalization



Central Ontario: Zone C3

Existing facility: OLG Slots at Ajax Downs

Facility description

- Location 50 Alexander's Crossing
Ajax, L1Z 2E6
- Ownership Structure Leasehold – owned by
Picov Downs Inc.
- OLG-owned amenities Restaurant
- 3rd party amenities None
- OLG employees (FTEs) 285

Gaming data

- Gaming area 21,115 sq. ft
- Slot machines 800¹
- Tables 0
- OLG Gaming Revenues (FY12) \$176.8M
- OLG Non-Gaming Revenues² (FY12) \$2.1M
- Visitors/year (FY12) 1,766,888

Other information

- Bingo halls part of OLG revitalization plan |

¹ capped at 800 by official municipal plan (city of Ajax)

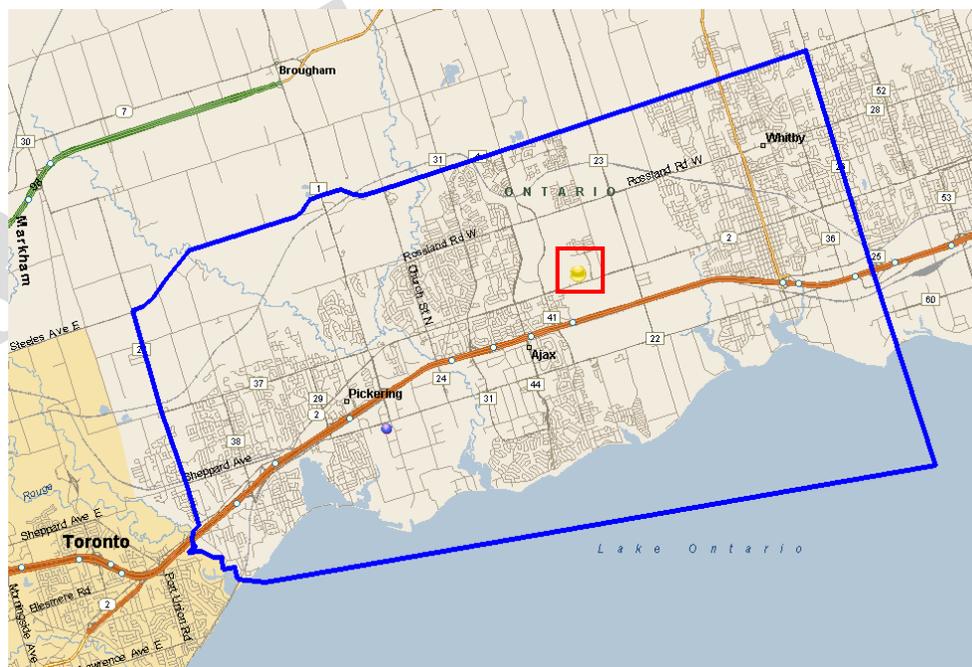
² Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

- Bingo hall part of revitalization
- Current facility

- Zone includes Durham Region (Ajax, Pickering, Whitby)

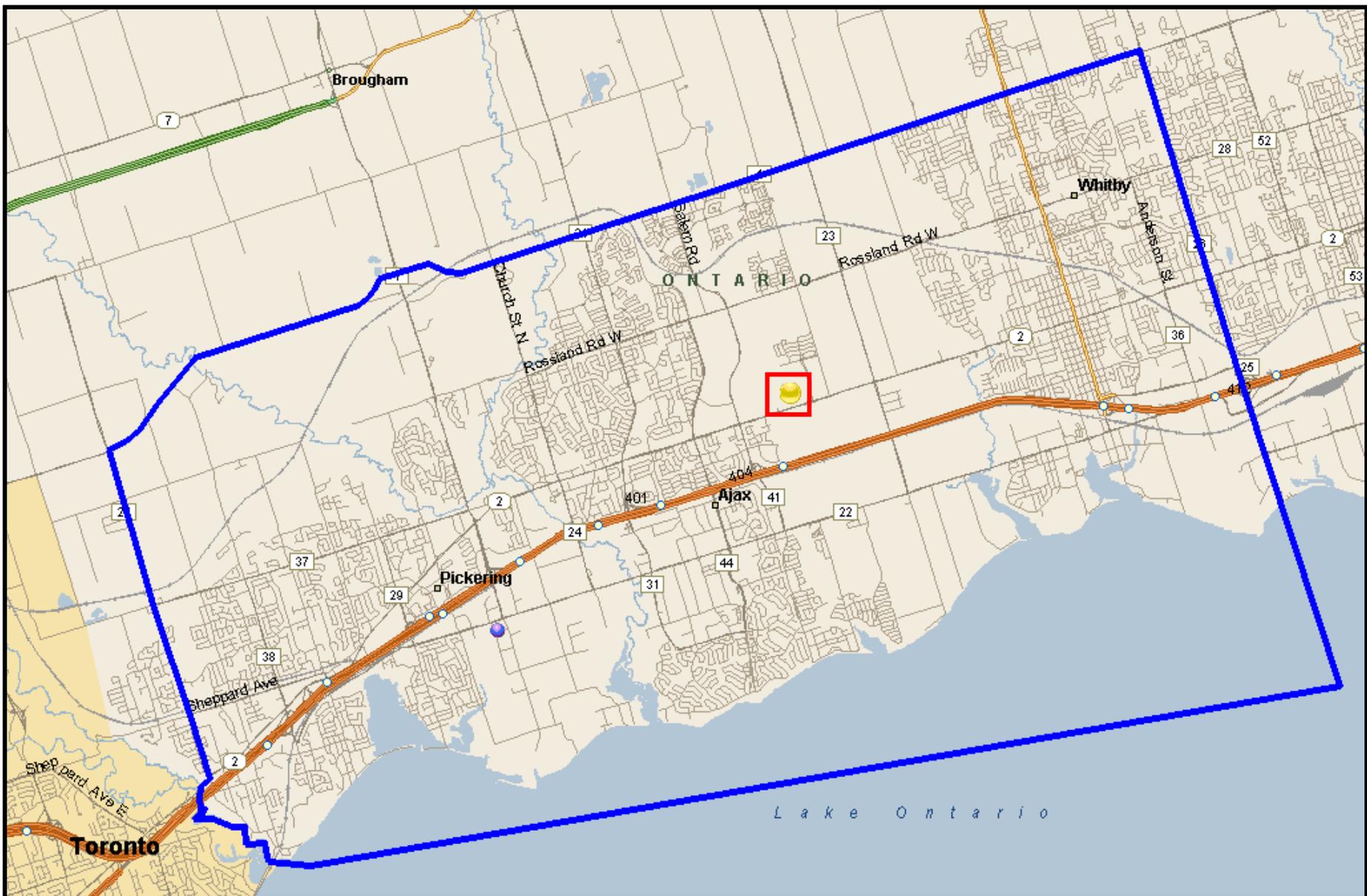


Gaming offering flexibility

- Maximum number of facilities |
- Allowed range of slot machines Up to 1600¹
- Allowed range of table games TBD

C3

 Bingo hall part of revitalization  current facility revitalization



Central Ontario: Zone C4

Existing facility: OLG Slots at Mohawk Raceway

Facility description

- Location 9430 Guelph Line
Campbellville, L0P 1B0
- Ownership structure Leasehold - owned by
Woodbine Entertainment
Group (WEG)
- OLG-owned amenities None
- 3rd party amenities 2 restaurants, 1 bar,
racetrack
- OLG employees (FTEs) 204

Gaming data

- Gaming area 26,181 sq. ft
- Slot machines 875
- Tables 0
- OLG Gaming Revenues¹ (FY12) \$150.2M
- OLG Non-Gaming Revenues¹ (FY12) \$0
- Visitors/year (FY12) 1,162,326

Other information

- Bingo halls part of OLG
revitalization plan 0

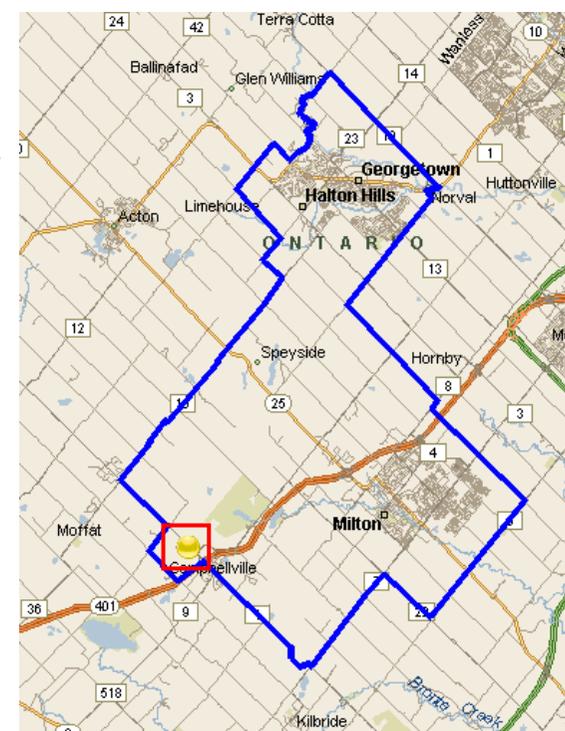
¹ Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

- Zone includes Halton
Region (Municipalities
of Halton Hills and
Milton)

Current facility

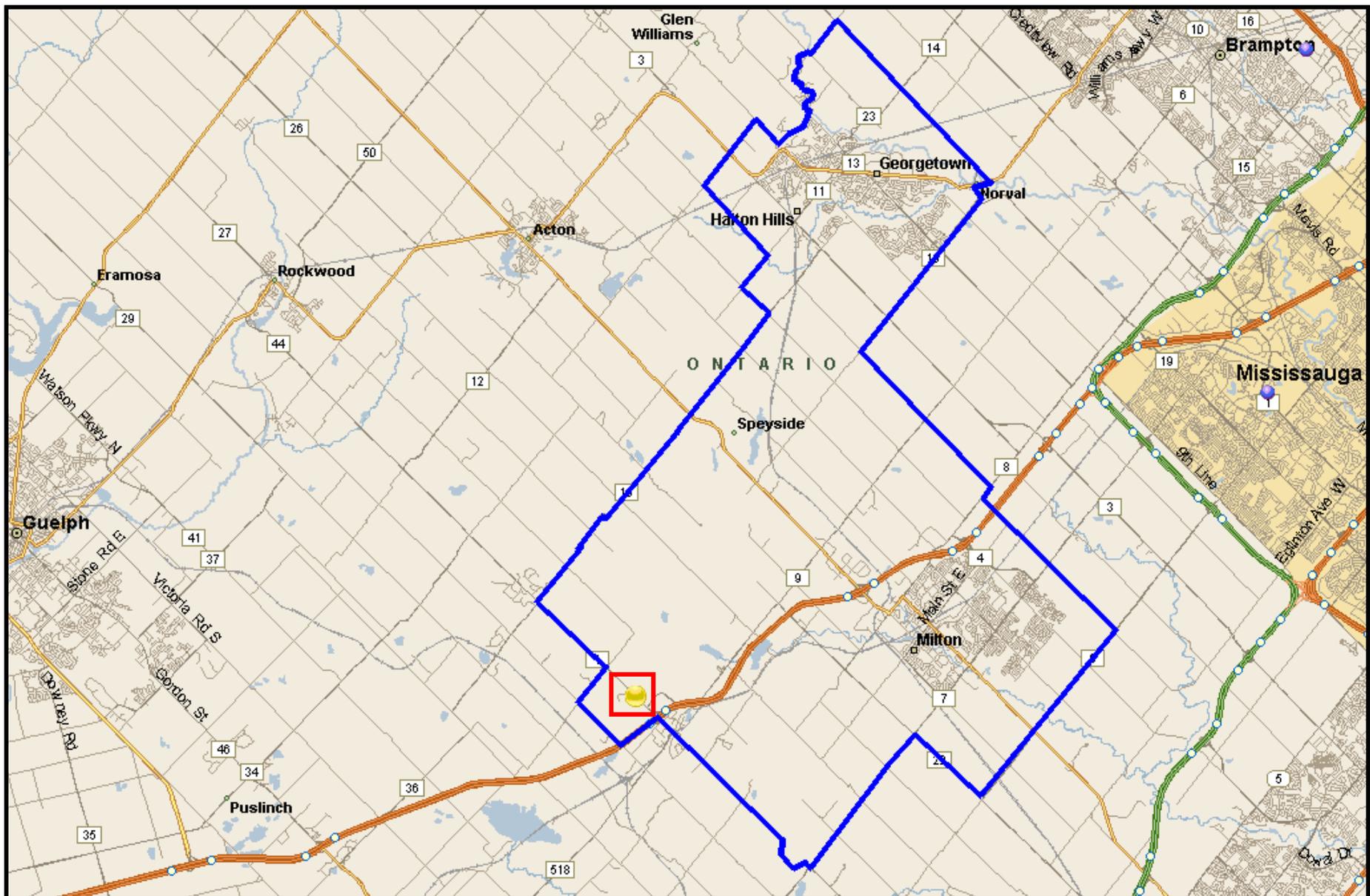


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 1,200
- Allowed range of table games TBD

C4

 Bingo hall part of revitalization  current facility revitalization



Central Ontario: Zone C5

Existing facility: OLG Slots at Georgian Downs

Facility description

- Location 7485 5th Side Road
Innisfil, L9S 3S1
- Ownership structure Leasehold – owned by
Great Canadian Gaming
- OLG-owned amenities Restaurant
- 3rd party amenities None
- OLG employees (FTEs) 269

Gaming data

- Gaming area 29,436 sq. ft
- Slot machines 1,000
- Tables 0
- OLG Gaming Revenues (FY12) \$125.6M
- OLG Non-Gaming Revenues¹ (FY12) \$1.8M
- Visitors/year (FY12) 1,309,387

Other information

- Bingo halls part of OLG
revitalization plan |

¹ Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

- Bingo hall part of revitalization
- Current facility

- Zone includes City of Barrie, Simcoe County (Town of Innisfil, Township of Oro-Medonte)

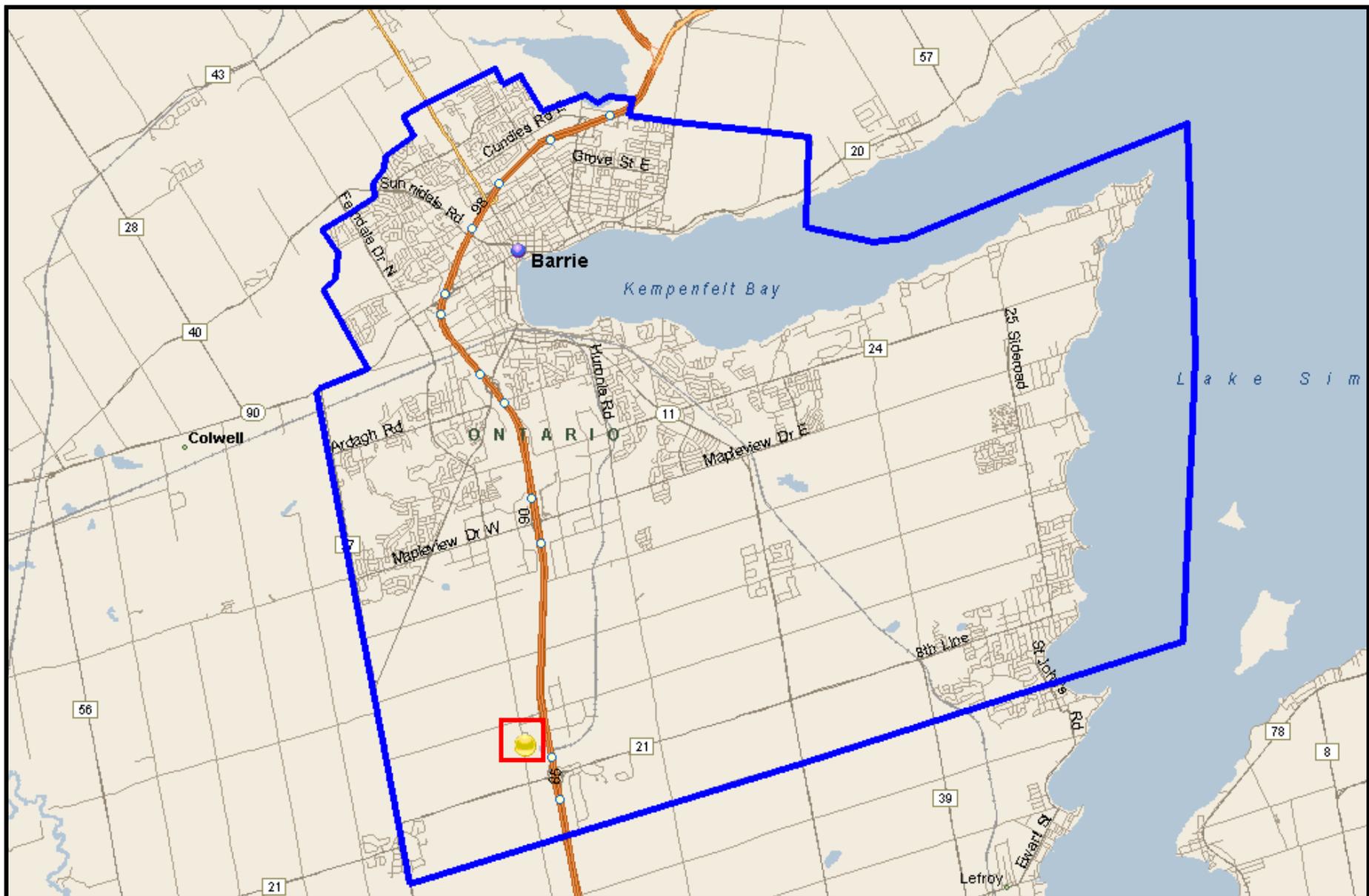


Gaming offering flexibility

- Maximum number of facilities |
- Allowed range of slot machines Up to 1,200
- Allowed range of table games TBD

C5

 Bingo hall part of revitalization  current facility revitalization



Central Ontario: Zone C6

Existing facility: OLG Casino Rama

Facility description

- Location 5899 Rama Road
Rama, L0K 1T0
- Ownership structure Land owned by Chippewas of Rama First Nation (operated under contract by CHC Casinos Corporation)
- OLG-owned amenities None
- 3rd party amenities 10 restaurants, 2 bars, 5,000 seat entertainment complex and 289 room hotel
- OLG employees (FTEs) n/a¹

Gaming data

- Gaming area 92,425 sq. ft
- Slot machines 2,500
- Tables 121
- OLG Gaming Revenues (FY12) \$405.3M
- OLG Non-Gaming Revenues² (FY12) \$22.0M
- Visitors/year (FY12) 3,165,457

Other information

- Bingo halls part of OLG revitalization plan 0

¹ Not operated by OLG

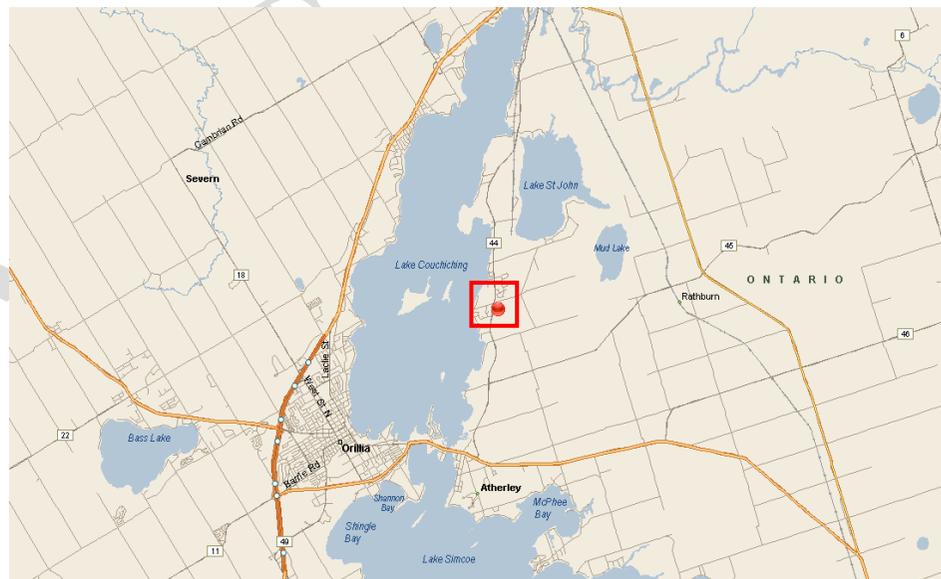
² Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

Current facility

- Site is located on the lands of Chippewas of Rama First Nation

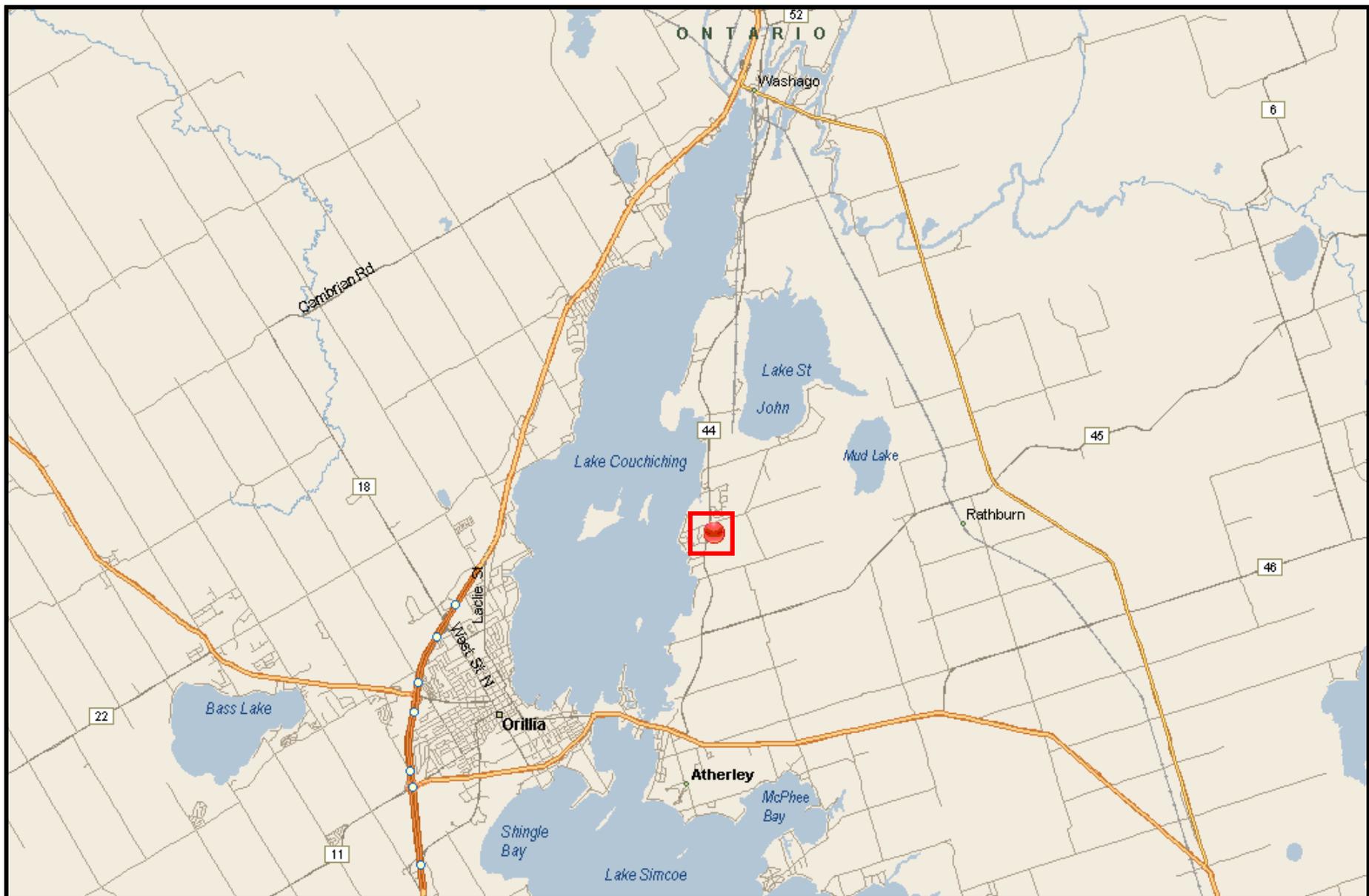


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 3,000
- Allowed range of table games TBD

C6

 current facility

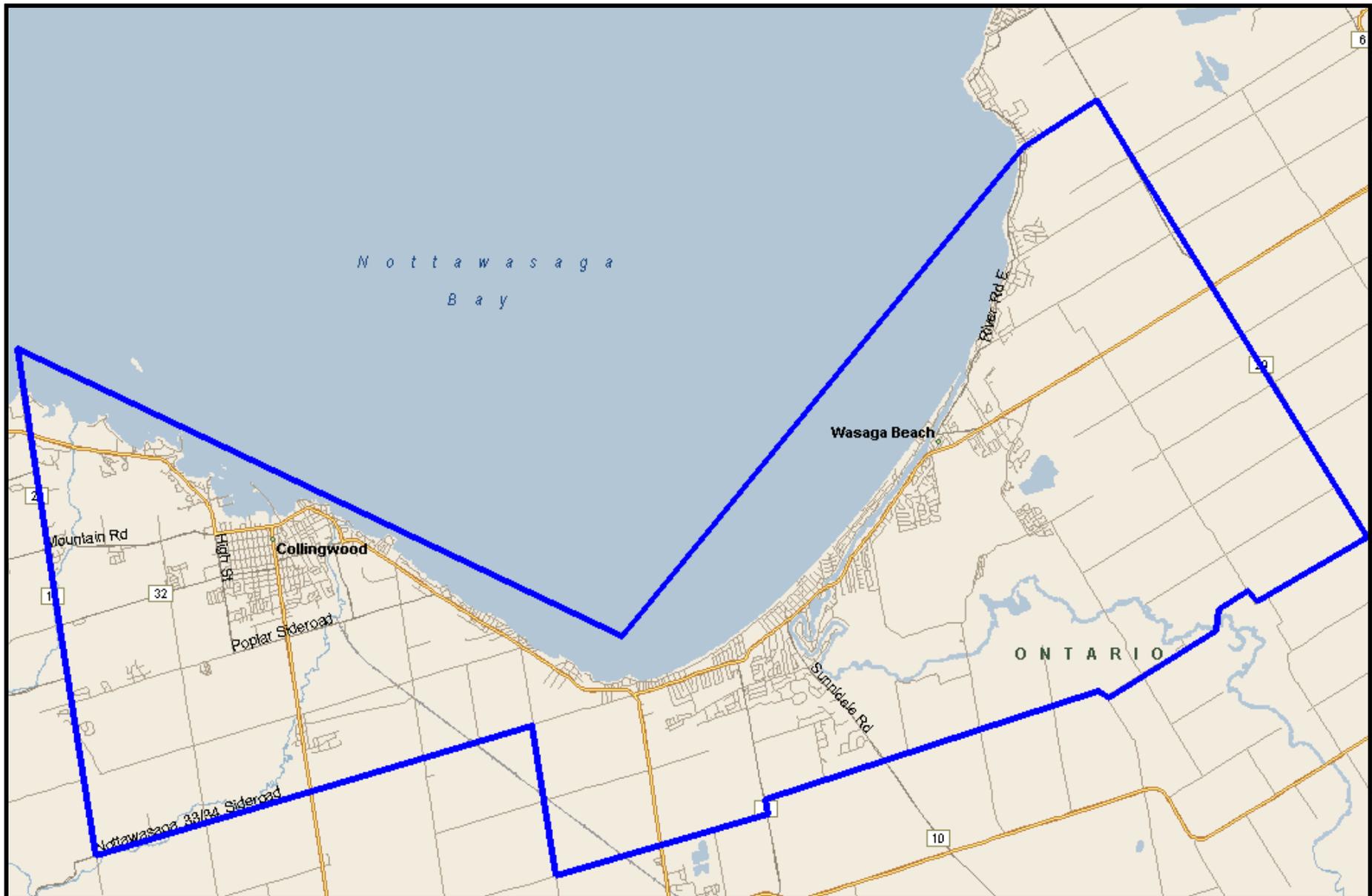


Central Ontario: Zone C7

<p>Existing facility: no existing facility</p>	<p>Zone definitions</p>
<p>Facility description</p>	<p>Municipalities included</p>
<ul style="list-style-type: none"> ▪ Location [new facility] ▪ Ownership structure [new facility] ▪ OLG-owned amenities [new facility] ▪ 3rd party amenities [new facility] ▪ OLG employees (FTEs) [new facility] 	<ul style="list-style-type: none"> ▪ Zone is in Simcoe County (Collingwood, Wasaga Beach, Clearview, Springwater)
<p>Gaming data</p>	
<ul style="list-style-type: none"> ▪ Gaming area n/a ▪ Slot machines n/a ▪ Tables n/a ▪ OLG Gaming Revenues (FY12) n/a ▪ OLG Non-Gaming Revenues (FY12) n/a ▪ Visitors/year (FY12) n/a 	<p>Gaming offering flexibility</p> <ul style="list-style-type: none"> ▪ Maximum number of facilities 1 ▪ Allowed range of slot machines Up to 300 ▪ Allowed range of table games TBD
<p>Other information</p>	
<ul style="list-style-type: none"> ▪ Bingo halls part of OLG revitalization plan 0 	

Note: Zone boundaries are approximate and will include locations within 100 metres of boundary as depicted on map. FY12 figures are unaudited
 RFI # 1213-001 Modernizing Land Based Gaming in Ontario

C7



Central Ontario: Zone C8

May be excluded from RFP

Existing facility: Great Blue Heron Charity Casino

Facility description

- Location 21777 Island Road
Port Perry, L9L 1B6
- Ownership structure Land owned by Mississaugas of Scugog Island First Nation, (operated under contract by GBH Gaming Company)
- OLG employees (FTEs) n/a¹

Gaming data

- Gaming area 14,262 sq. ft
- Slot machines 533
- Tables n/a¹
- OLG Gaming Revenues (FY12) \$74.8M
- OLG Non-Gaming Revenues² (FY12) n/a¹
- Visitors/year (FY12) 1,330,003

Other information

- Bingo halls part of OLG revitalization plan 0

¹ Not operated by OLG

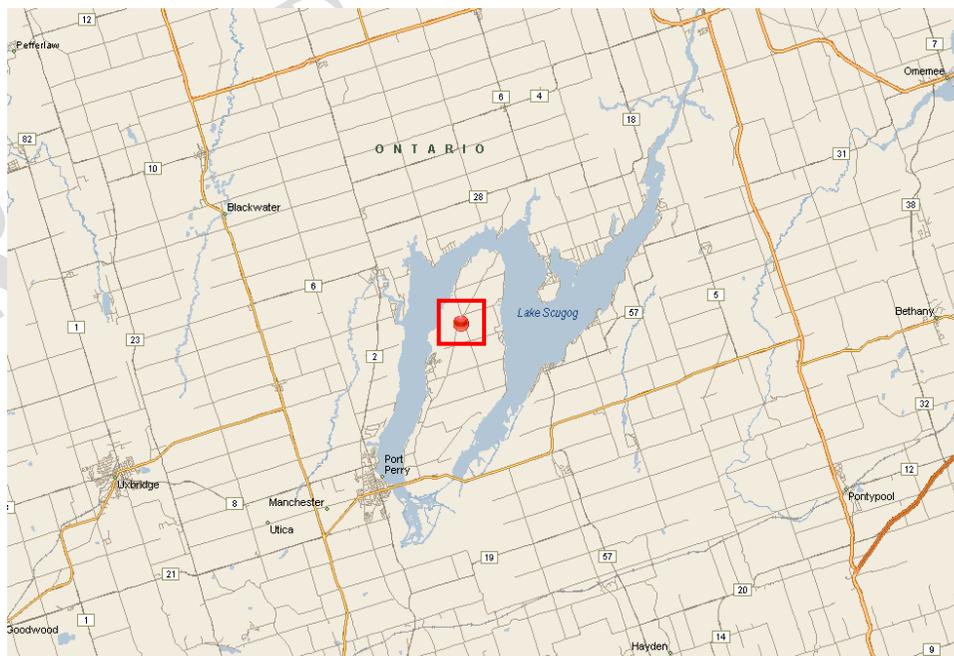
² Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

Current facility

- Site is on the lands of the Mississaugas of Scugog Island First Nation

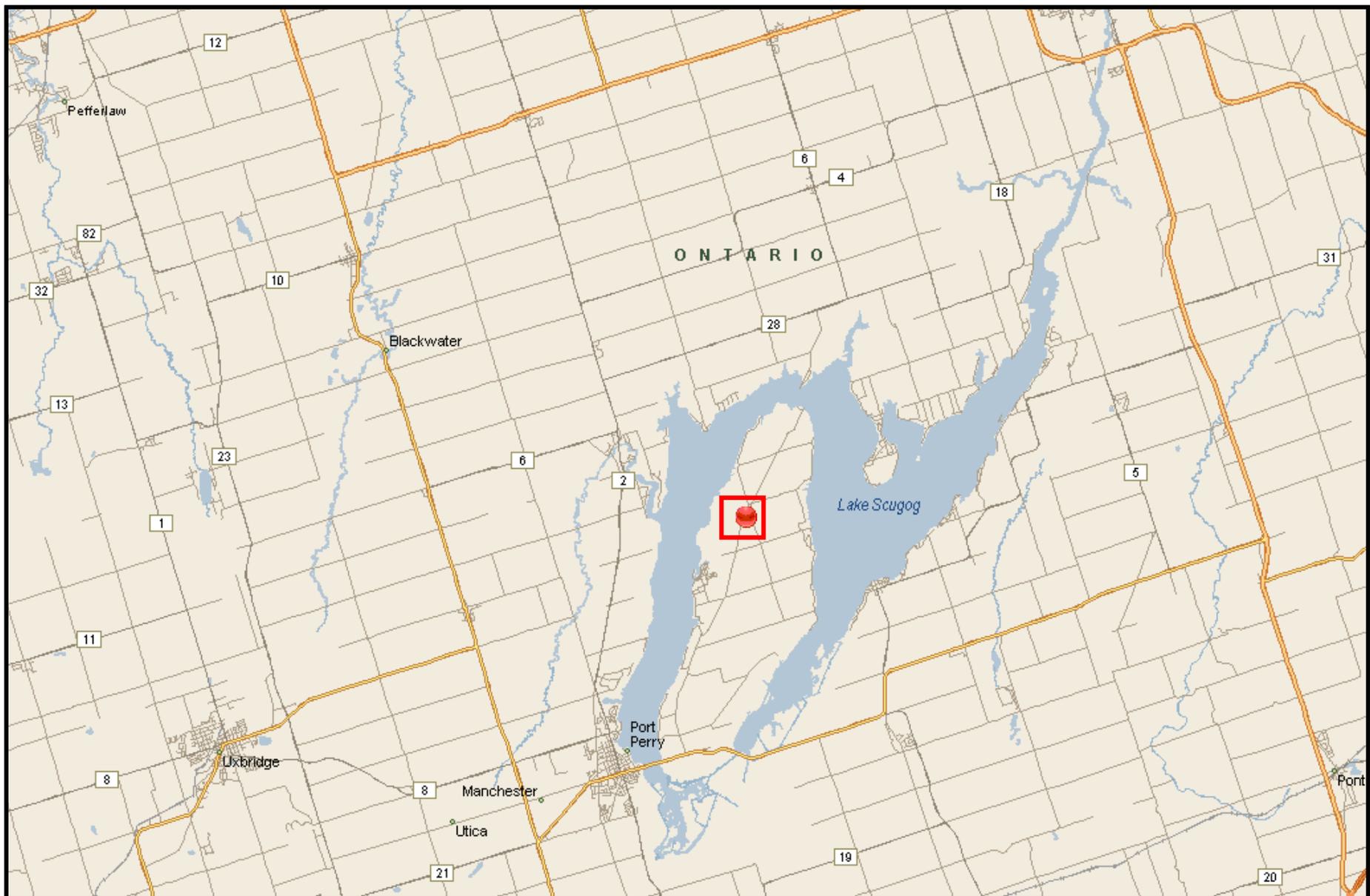


Gaming offering flexibility

- Maximum number of facilities |
- Allowed range of slot machines Up to 600
- Allowed range of table games TBD

C8

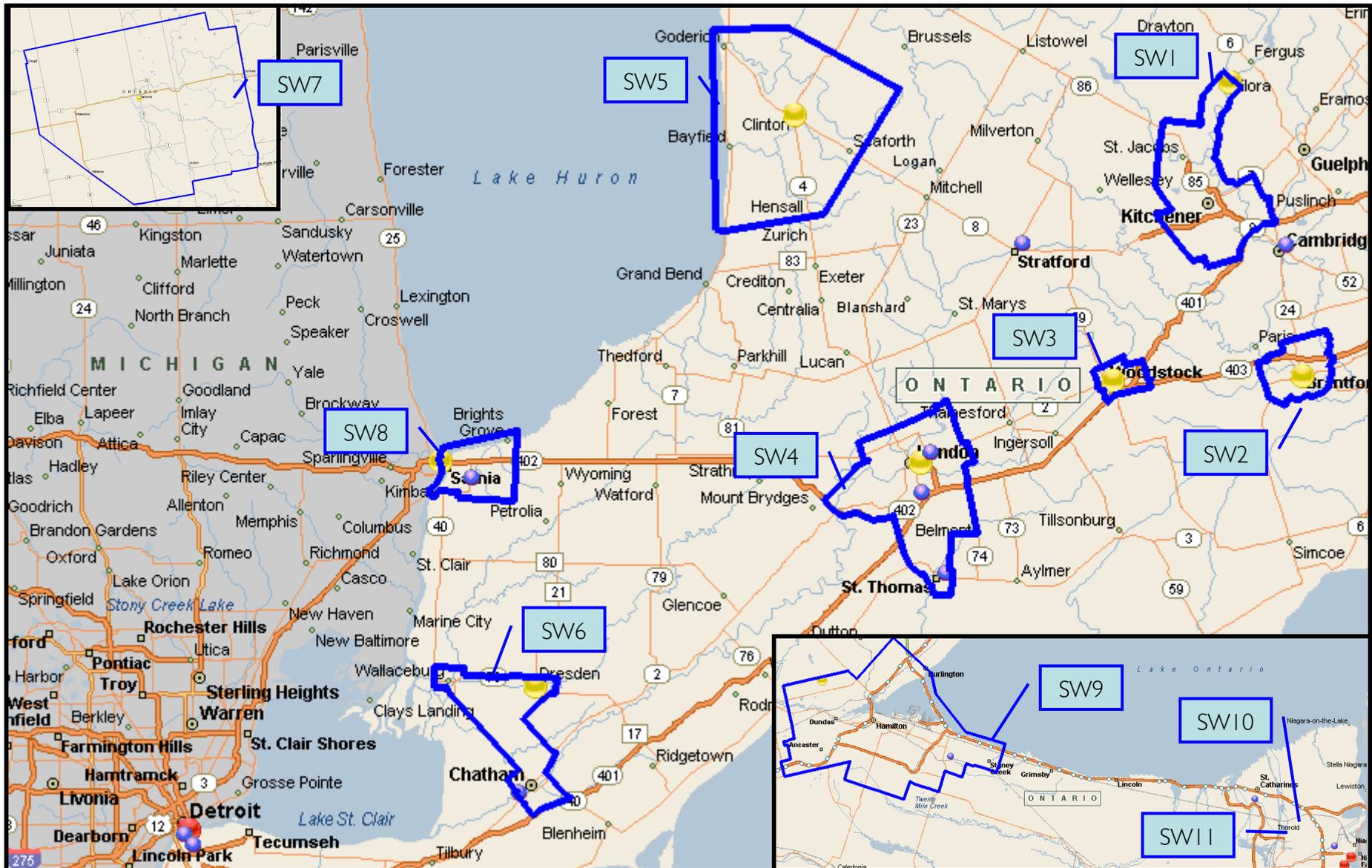
 current facility



Southwestern Ontario

Southwestern Ontario Zones

● Bingo hall part of revitalization ● Existing facilities



Southwestern Ontario: Zone SW1

Existing facility: OLG Slots at Grand River

Facility description

- Location 7445 County Road 21 RR2, Elora, N0B 1S0
- Ownership structure Leasehold – Owned by Grand River Agricultural Society
- OLG-owned amenities Restaurant
- 3rd party amenities None
- OLG employees (FTEs) 133

Gaming data

- Gaming area 5,223 sq. ft
- Slot machines 238¹
- Tables 0
- OLG Gaming Revenues (FY12) \$43.5M
- OLG Non-Gaming Revenues¹ (FY12) \$1.0M
- Visitors/year (FY12) 627,217

Other information

- Bingo halls part of OLG revitalization plan 0

¹ capped at 449 by official municipal plan of Elora

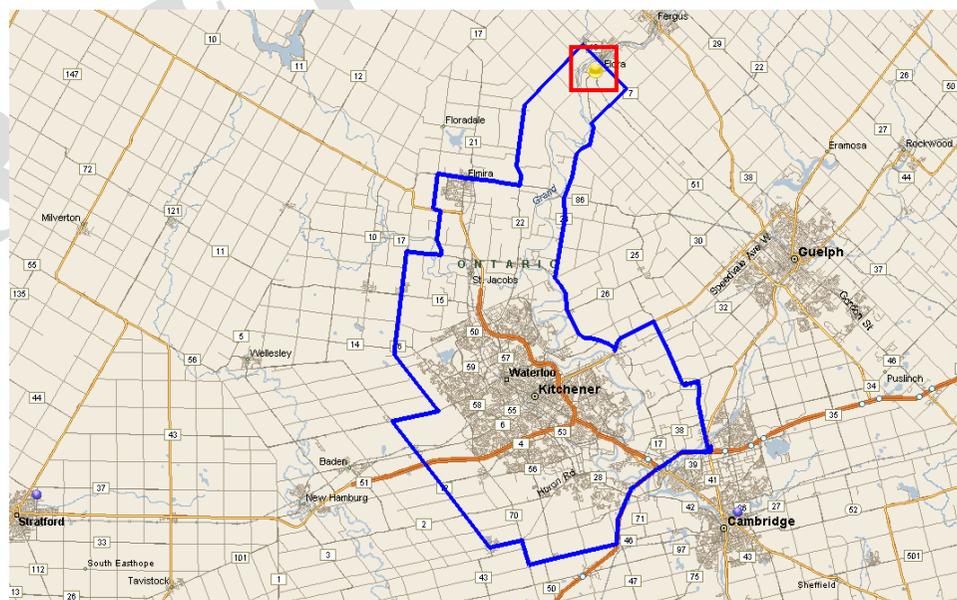
² Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

 Bingo hall part of revitalization  Current facility

- Zone includes Regional Municipality of Waterloo (Waterloo, Kitchener, Cambridge, Woolwich Township, Wilmot Township, Wellington County (Township of Centre Wellington))

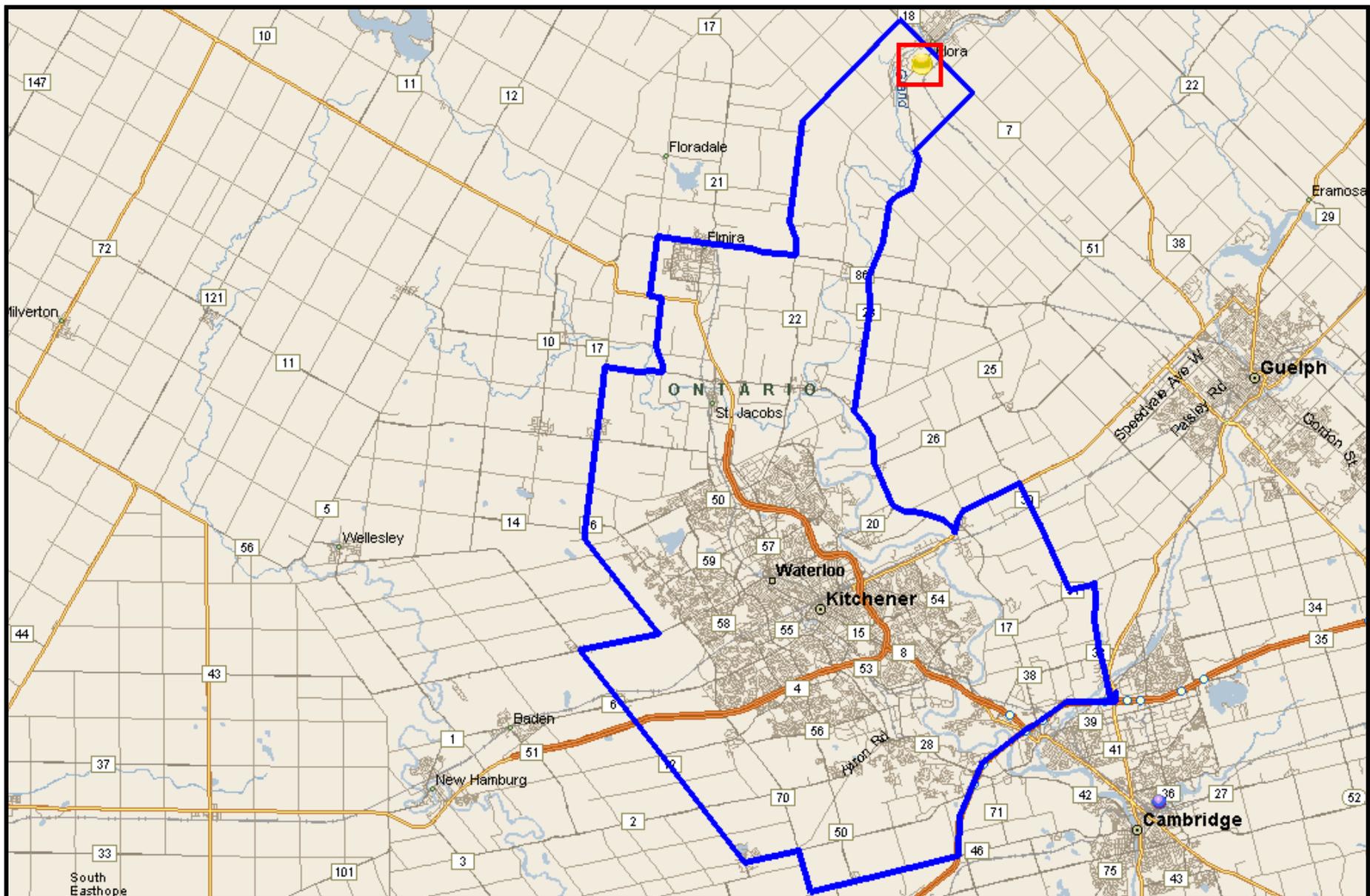


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 1200¹
- Allowed range of table games TBD

SWI

-  Bingo hall part of revitalization
-  current facility



Southwestern Ontario: Zone SW2

Existing facility: OLG Casino Brantford

Facility description

- Location 40 Icomm Drive
Brantford, N3S 7S9
- Ownership structure Freehold
Owned by OLG
- OLG-owned amenities Restaurant, 2 bars
- 3rd party amenities None
- OLG employees (FTEs) 754

Gaming data

- Gaming area 30,169 sq. ft
- Slot machines 539
- Tables 55
- OLG Gaming Revenues (FY12) \$112.0M
- OLG Non-Gaming Revenues¹ (FY12) \$2.4M
- Visitors/year (FY12) 1,343,543

Other information

- Bingo halls part of OLG revitalization plan 0

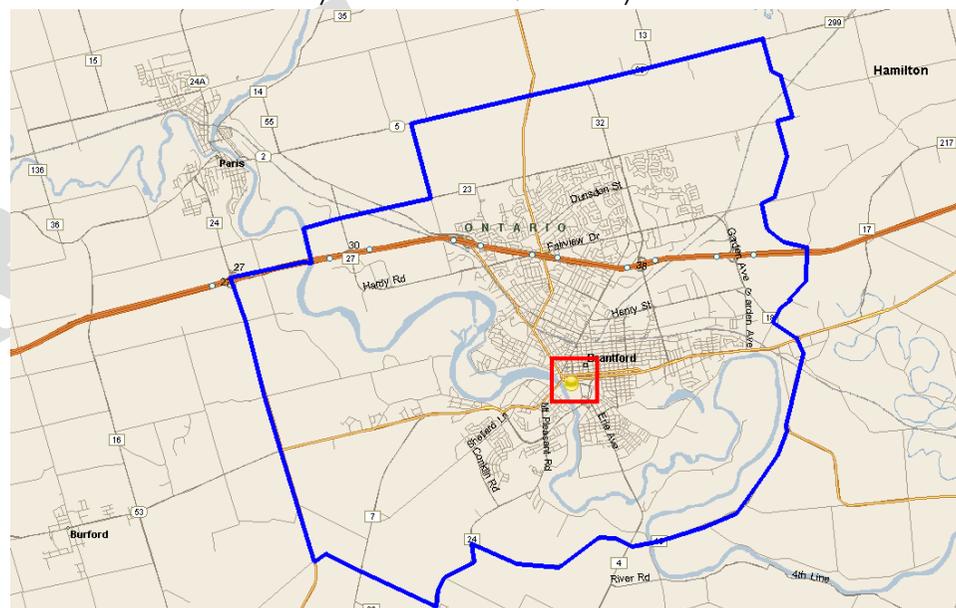
¹ Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

Current facility

- Zone includes City of Brantford, County of Brant

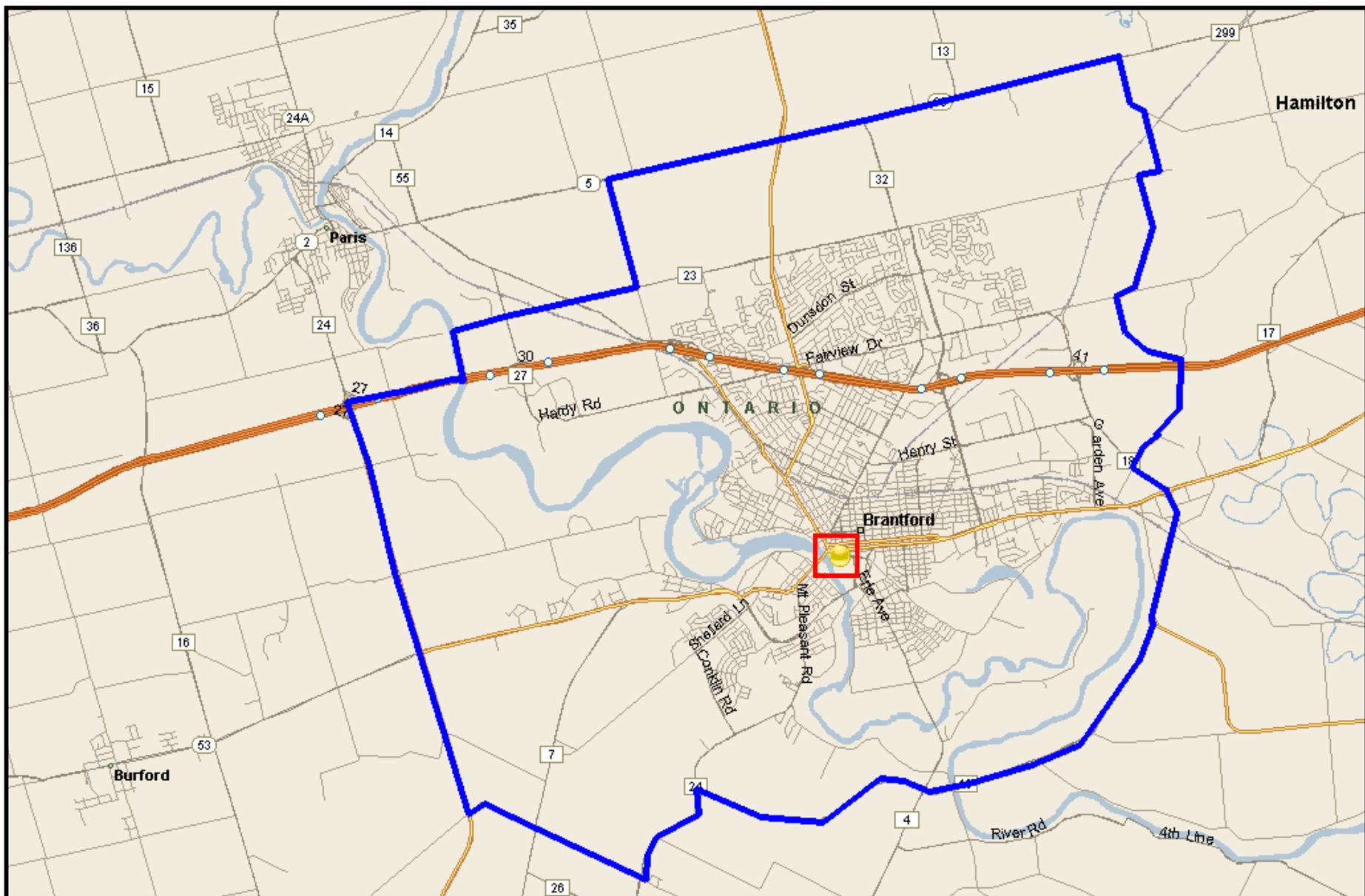


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 600
- Allowed range of table games TBD

SW2

 current facility



Southwestern Ontario: Zone SW3

Existing facility: OLG Slots at Woodstock

Facility description

- Location 851 Nellis Street
Woodstock, N4S 4C6
- Ownership structure Leasehold – owned by
WINRAC Development Inc.
- OLG-owned amenities None
- 3rd party amenities None
- OLG employees (FTEs) 81

Gaming data

- Gaming area 3,623 sq. ft
- Slot machines 185
- Tables 0
- OLG Gaming Revenues (FY12) \$25.3M
- OLG Non-Gaming Revenues¹ (FY12) \$0
- Visitors/year (FY12) 338,565

Other information

- Bingo halls part of OLG
revitalization plan 0

¹ Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

Current facility

- Zone includes City of Woodstock, Oxford County (townships of East Zorra-Tavistock, South-West Oxford, Norwich)

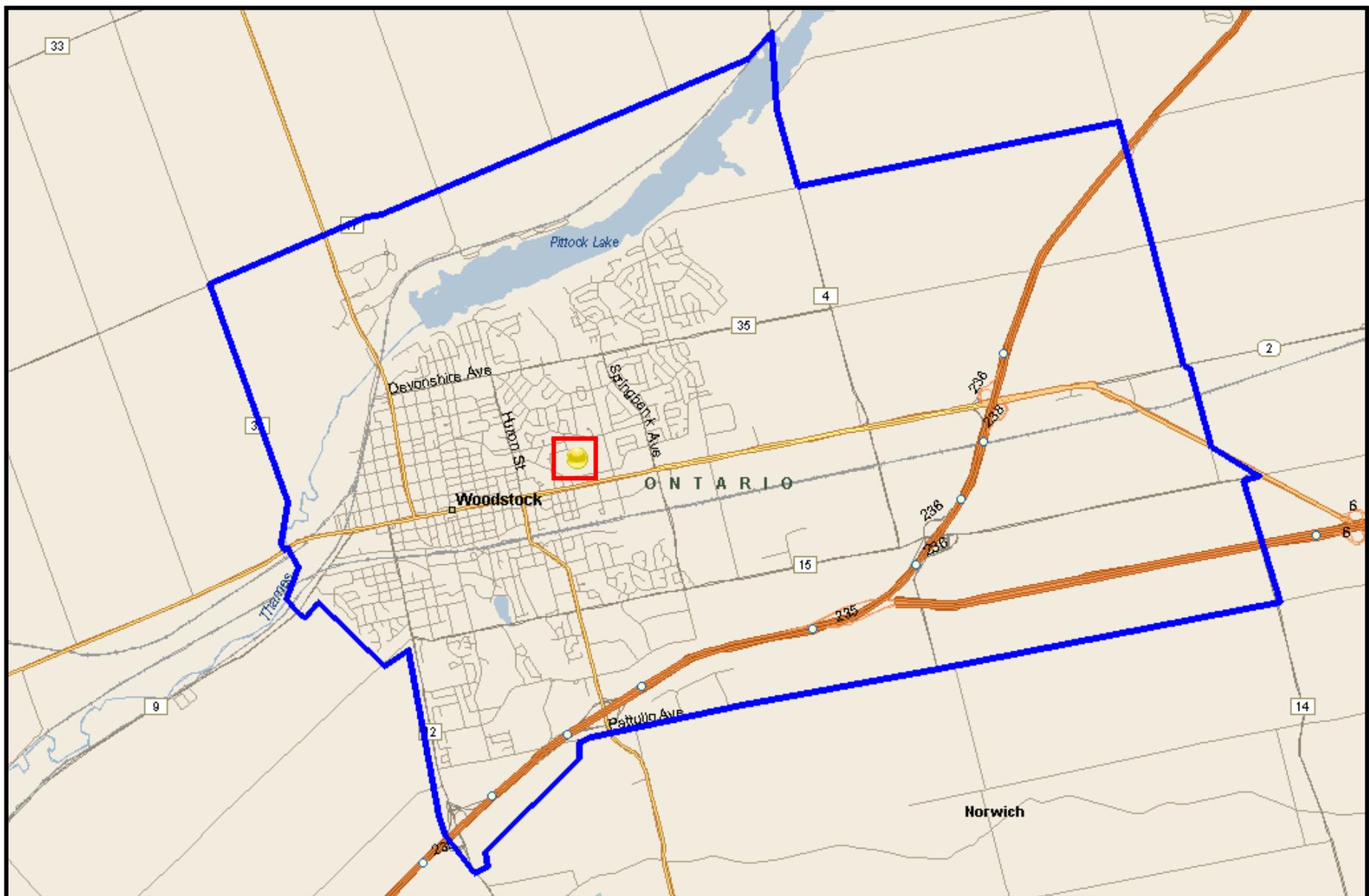


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 300
- Allowed range of table games TBD

SW3

 current facility



Southwestern Ontario: Zone SW4

Existing facility: OLG Slots at Western Fair District

Facility description

- Location 900 King Street East
London, N5W 5K3
- Ownership structure Leasehold – owned by
Western Fair Association
- OLG-owned amenities Restaurant, 2 bars
- 3rd party amenities None
- OLG employees (FTEs) 262

Gaming data

- Gaming area 17,521 sq. ft
- Slot machines 743
- Tables 0
- OLG Gaming Revenues (FY12) \$102.2M
- OLG Non-Gaming Revenues¹ (FY12) \$1.7M
- Visitors/year (FY12) 1,232,785

Other information

- Bingo halls part of OLG
revitalization plan 3

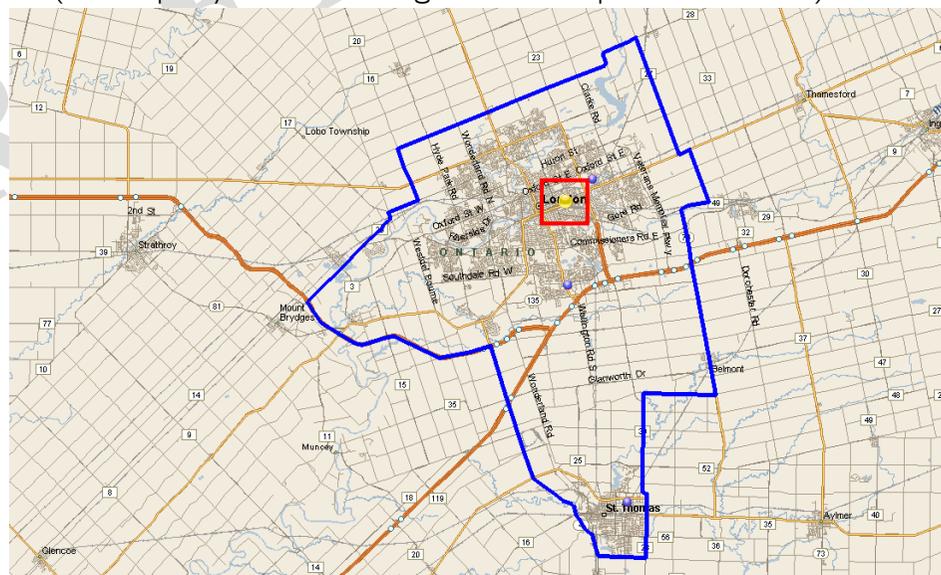
¹ Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

 Bingo hall part of revitalization  Current facility

- Municipalities: City of London, Middlesex County (Townships of Middlesex Centre, Thames Centre, Strathroy-Cardoc), City of St. Thomas, Elgin County (Municipality of Central Elgin, Township of Southwold)

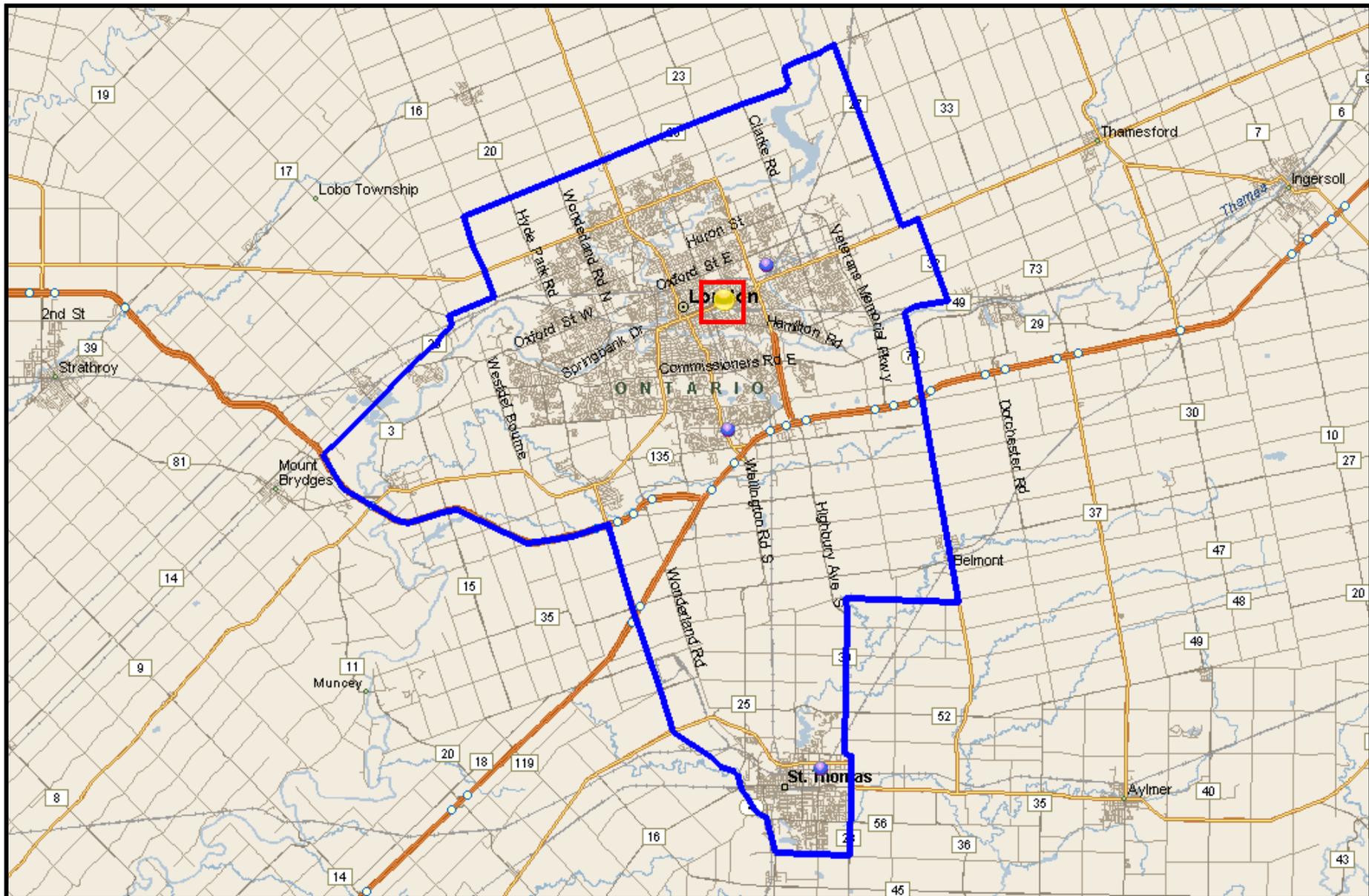


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 1,200
- Allowed range of table games TBD

SW4

 Bingo hall part of revitalization  current facility revitalization



Southwestern Ontario: Zone SW5

Existing facility: OLG Slots at Clinton Raceway

Facility description

- Location 147 Beech Street
Clinton, N0M 1L0
- Ownership structure Leasehold – owned by
Clinton Raceway Inc.
- OLG-owned amenities Restaurant, bar
- 3rd party amenities None
- OLG employees (FTEs) 76

Gaming data

- Gaming area 3,260 sq. ft
- Slot machines 123
- Tables 0
- OLG Gaming Revenues (FY12) \$12.6M
- OLG Non-Gaming Revenues¹ (FY12) \$0
- Visitors/year (FY12) 180,217

Other information

- Bingo halls part of OLG
revitalization plan 0

¹ Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

Current facility

- Zone is within Huron County (Town of Goderich, Township of Ashfield-Colborne-Wawanosh, Municipality of Central Huron, Municipality of Bluewater, Municipality of Huron East)

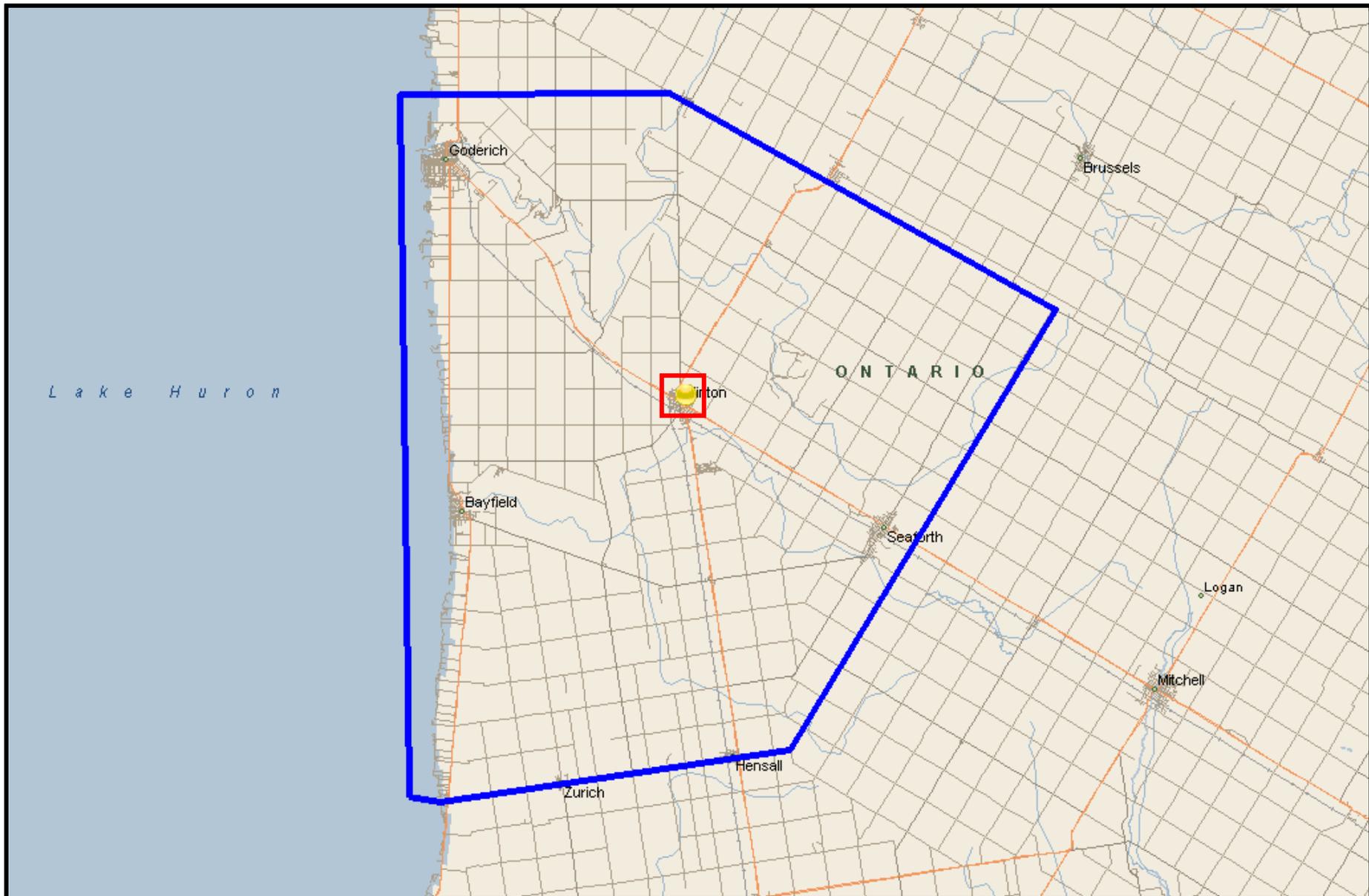


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 300
- Allowed range of table games TBD

SW5

 current facility



Southwestern Ontario: Zone SW6

Existing facility: OLG Slots at Dresden Raceway

Facility description

- Location 255 Park Street
Dresden , N0P 1M0
- Ownership structure Leasehold owned by
WINRAC Development Inc.
- OLG-owned amenities None
- 3rd party amenities None
- OLG employees (FTEs) 75

Gaming data

- Gaming area 2,497 sq. ft
- Slot machines 116
- Tables 0
- OLG Gaming Revenues (FY12) \$13.1M
- OLG Non-Gaming Revenues¹ (FY12) \$0
- Visitors/year (FY12) 177,463

Other information

- Bingo halls part of OLG revitalization plan 1

¹ Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

 Bingo hall part of revitalization  Current facility

- Zone includes municipality of Chatham-Kent

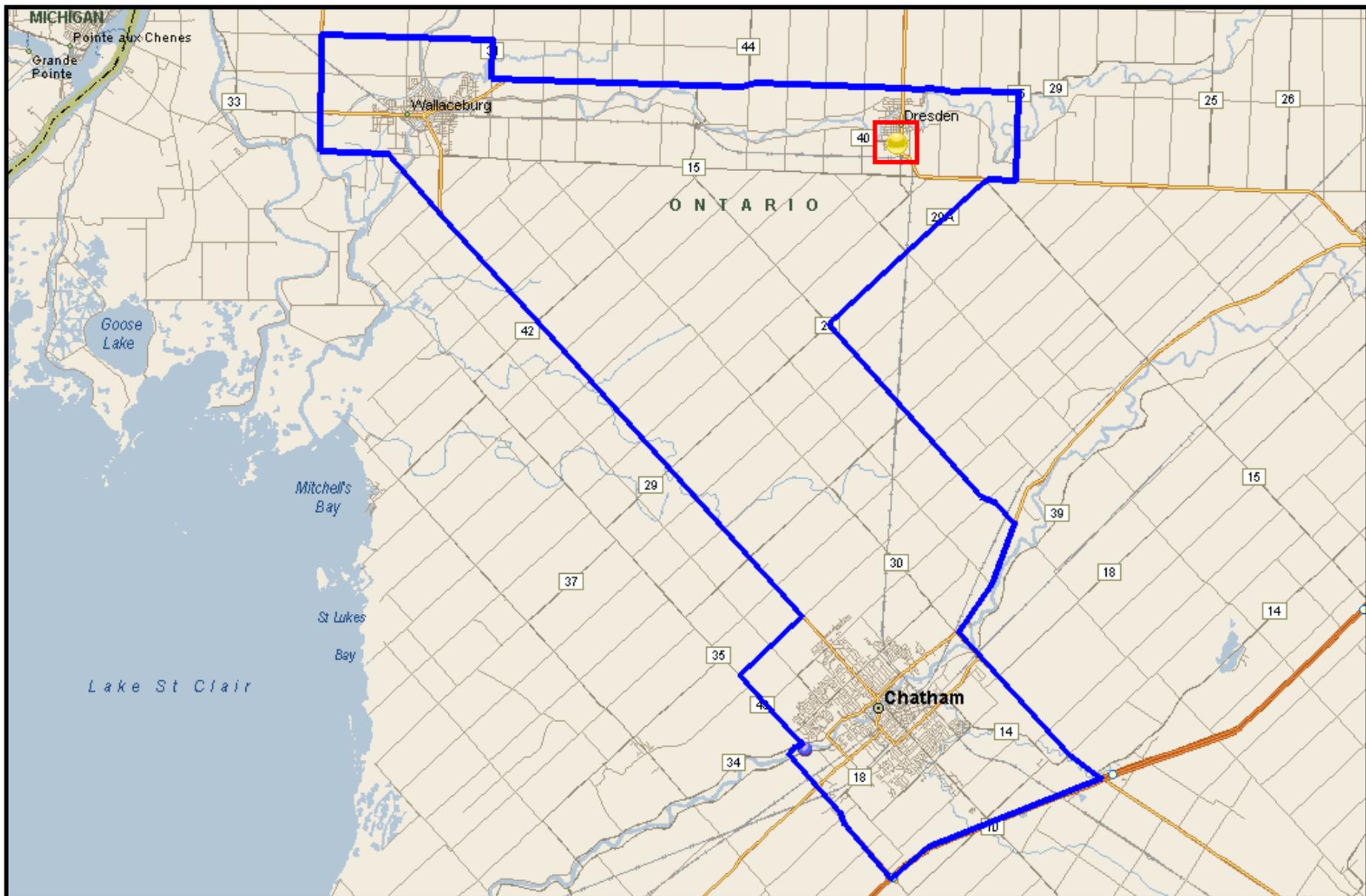


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 300
- Allowed range of table games TBD

SW6

 Bingo hall part of revitalization  current facility revitalization



Southwestern Ontario: Zone SW7

Existing facility: OLG Slots at Hanover Raceway

Facility description

- Location 275 Fifth Street
Hanover, N4N 3W6
- Ownership structure Leasehold – Owned by
Hanover, Bentinck & Brant
Agricultural Society
- OLG-owned amenities None
- 3rd party amenities Restaurant, bar
- OLG employees (FTEs) 84

Gaming data

- Gaming area 2,948 sq. ft
- Slot machines 131
- Tables 0
- OLG Gaming Revenues (FY12) \$21.9M
- OLG Non-Gaming Revenues¹ (FY12) \$0
- Visitors/year (FY12) 303,727

Other information

- Bingo halls part of OLG
revitalization plan 0

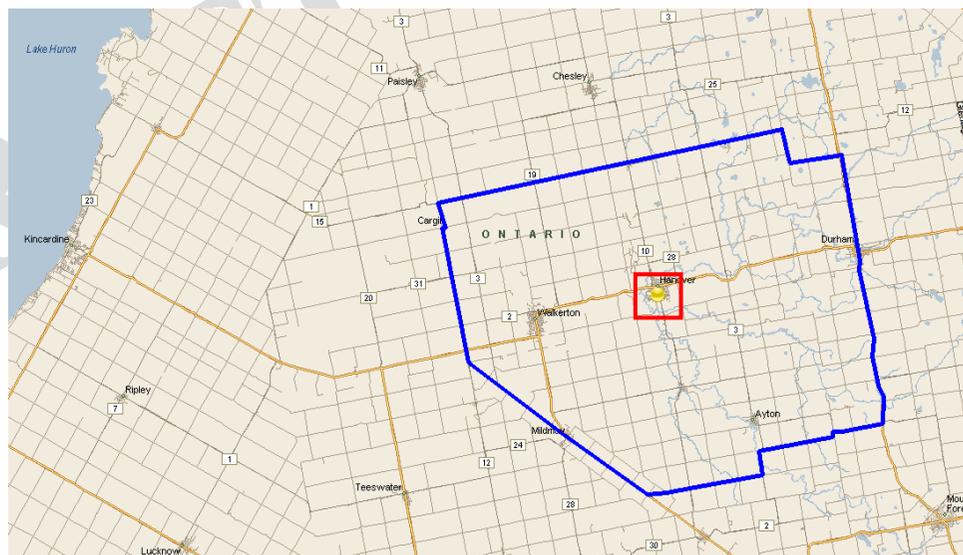
¹ Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

Current facility

- Zone includes Bruce County (Brockton, South Bruce,)
Grey County (Hanover, West Grey)

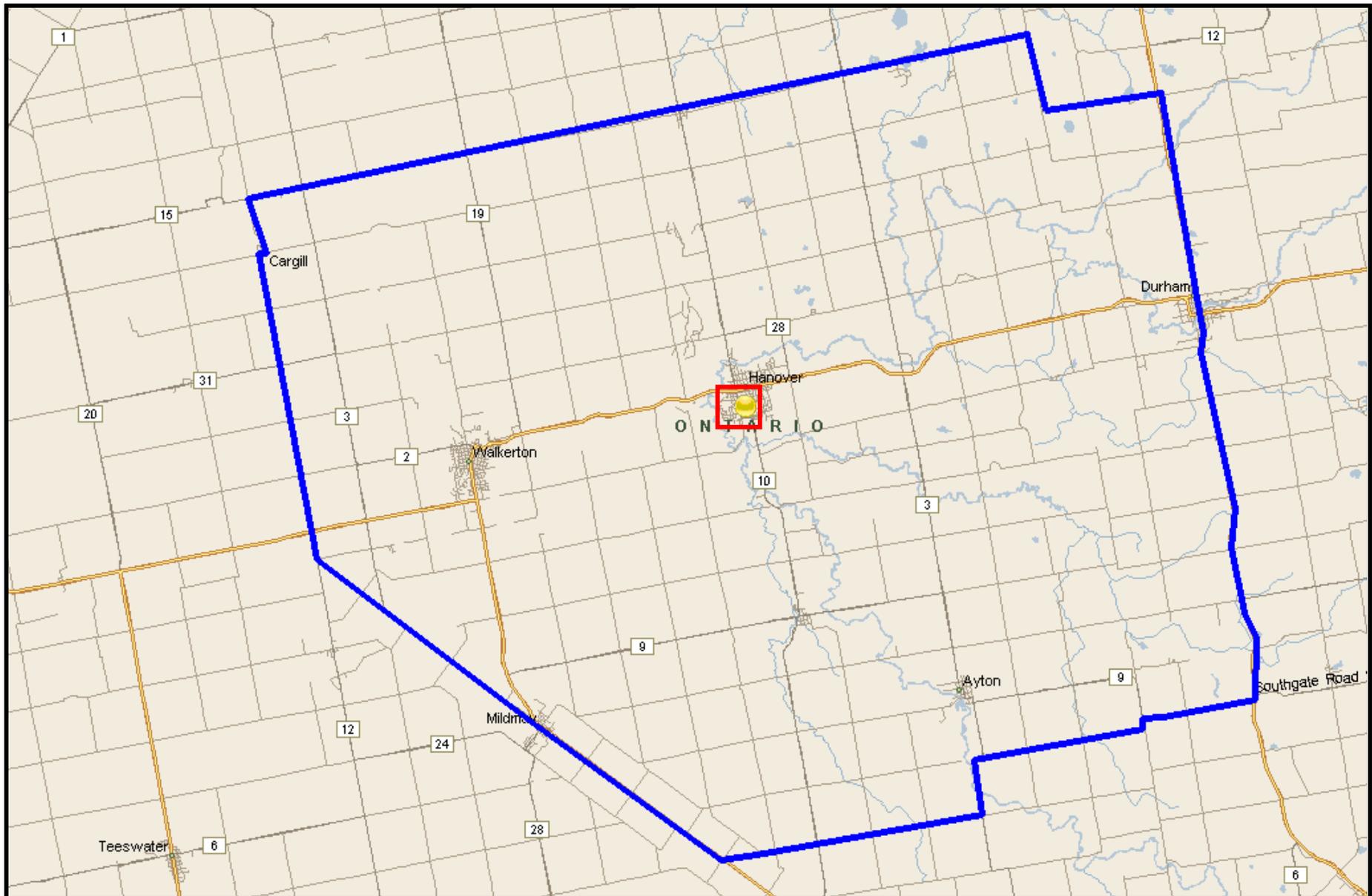


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 300
- Allowed range of table games TBD

SW7

 current facility



Southwestern Ontario: Zone SW8

Existing facility: OLG Casino Point Edward

Facility description

- Location 2000 Venetian Boulevard
Point Edward, N7T 8G4
- Ownership structure Ground leased, freehold
Owned by OLG
- OLG-owned amenities Restaurant, bar
- 3rd party amenities None
- OLG employees (FTEs) 363

Gaming data

- Gaming area 19,734 sq. ft
- Slot machines 450
- Tables 27
- OLG Gaming Revenues (FY12) \$35.9M
- OLG Non-Gaming Revenues¹ (FY12) \$1.6M
- Visitors/year (FY12) 491,706

Other information

- Bingo halls part of OLG revitalization plan |

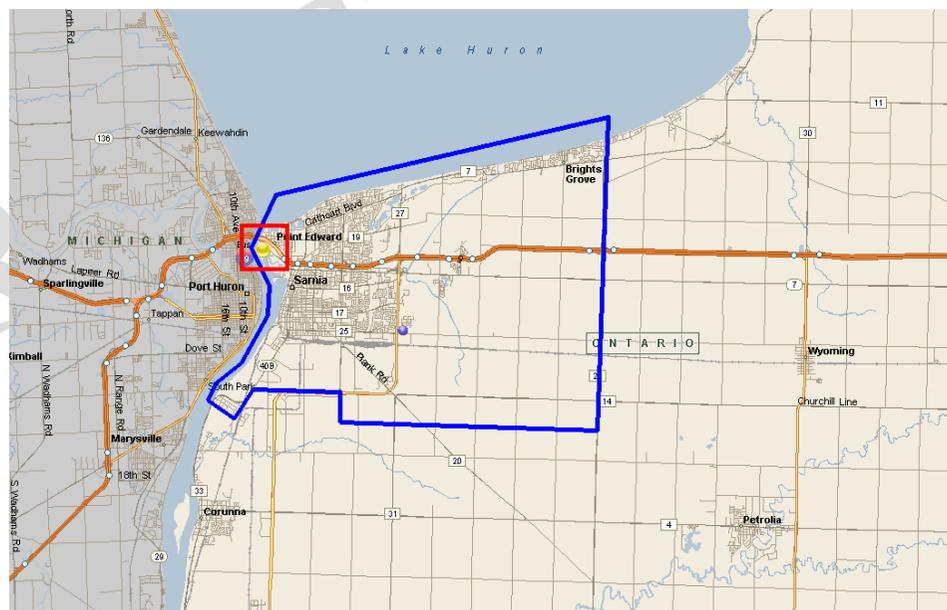
¹ Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

 Bingo hall part of revitalization  Current facility

- Zone includes municipalities of Point Edward and Sarnia

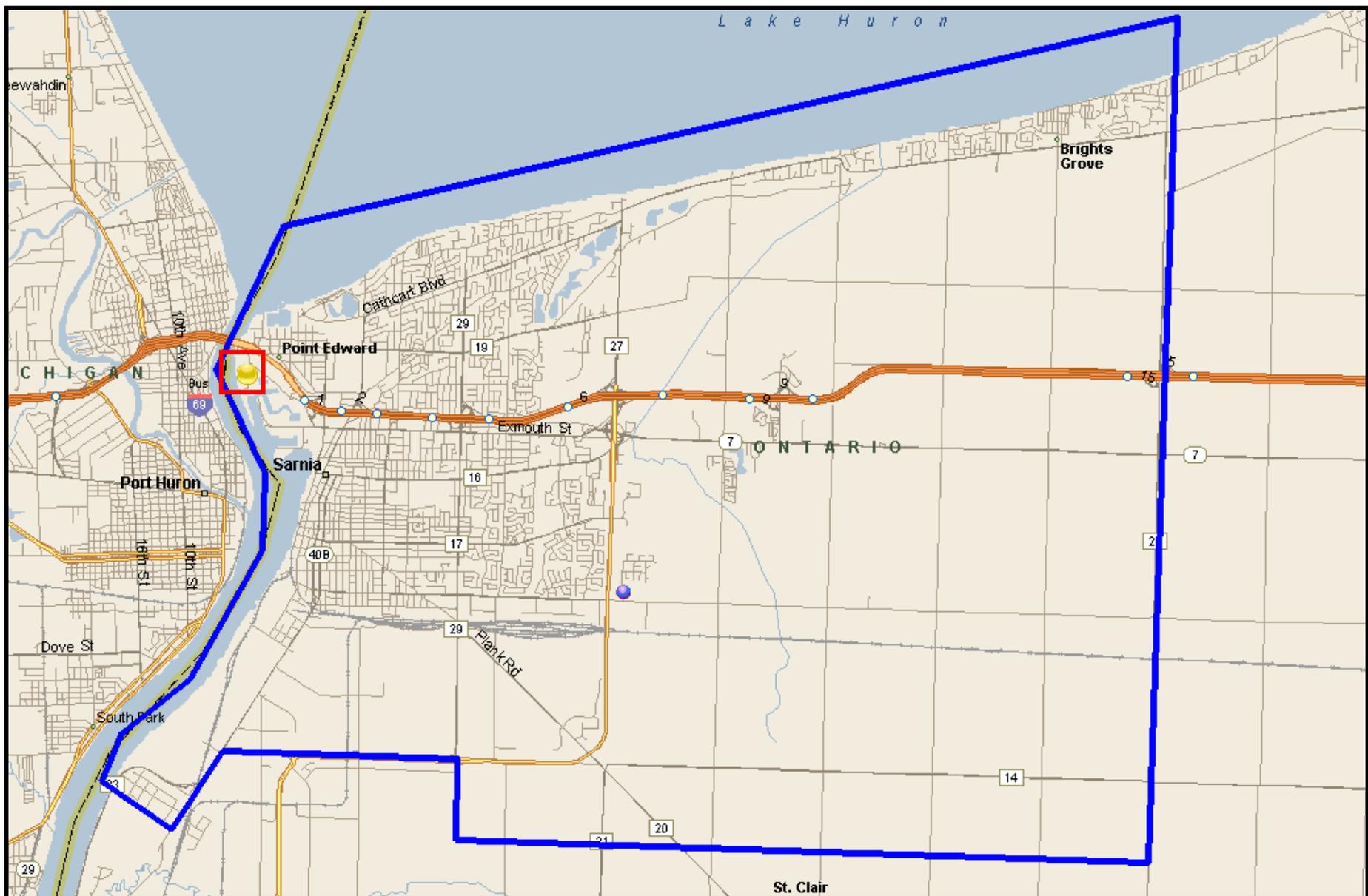


Gaming offering flexibility

- Maximum number of facilities |
- Allowed range of slot machines Up to 600
- Allowed range of table games TBD

SW8

 Bingo hall part of revitalization  current facility revitalization



Southwestern Ontario: Zone SW9

Existing facility: OLG Slots at Flamboro Downs

Facility description

- Location 967 Highway 5 W, RR6 Dundas, L9H 5E2
- Ownership structure Leasehold – owned by Great Canadian Gaming
- OLG-owned amenities None
- 3rd party amenities 2 restaurants, 2 bars
- OLG employees (FTEs) 187

Gaming data

- Gaming area 25,047 sq. ft
- Slot machines 800
- Tables 0
- OLG Gaming Revenues (FY12) \$121.6M
- OLG Non-Gaming Revenues¹ (FY12) \$0
- Visitors/year (FY12) 1,229,747

Other information

- Bingo halls part of OLG revitalization plan 1

¹ Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

 Bingo hall part of revitalization  Current facility

- Zone includes the city of Hamilton, Halton Region (City of Burlington)

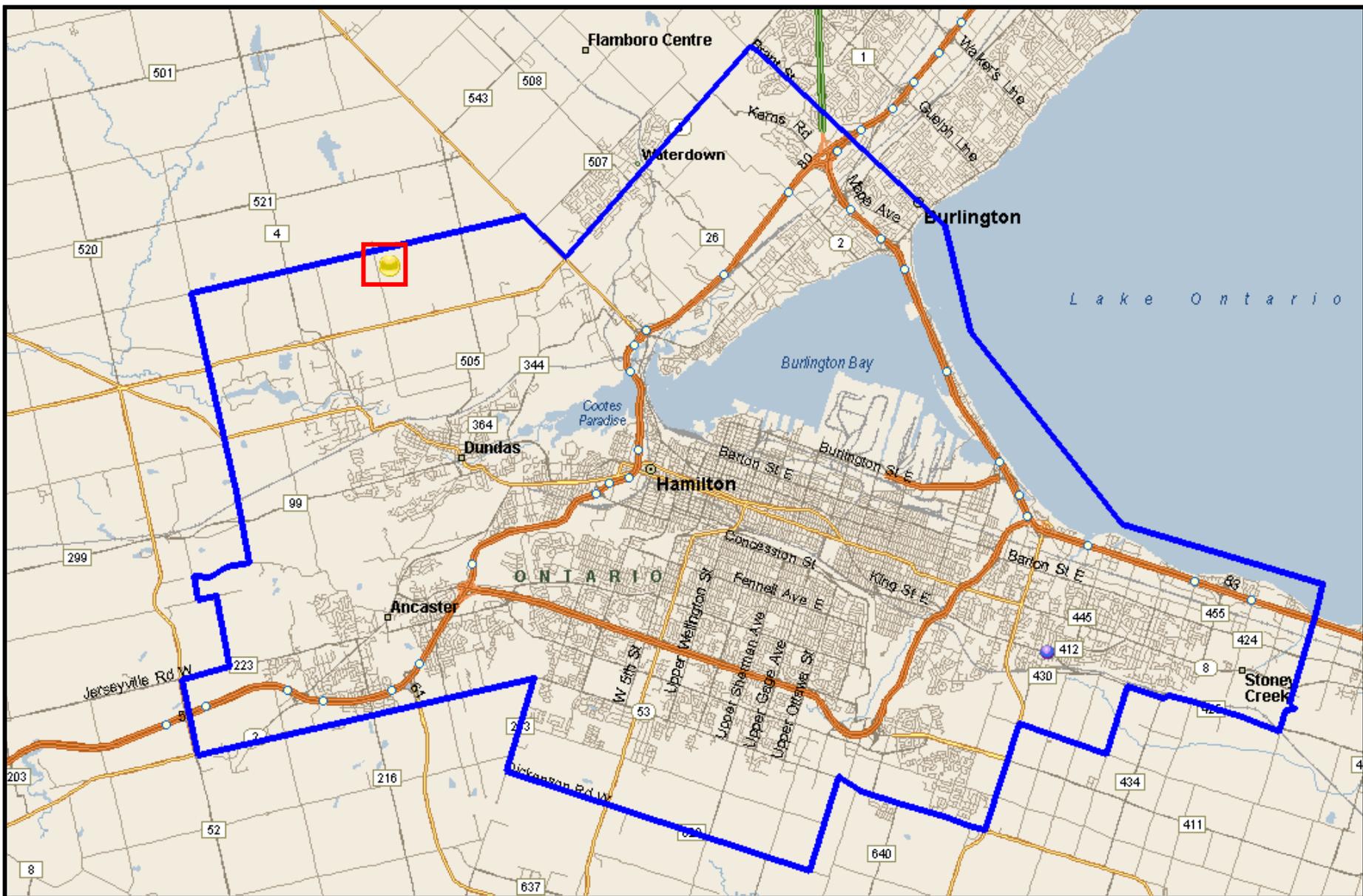


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 1,200
- Allowed range of table games TBD

SW9

-  Bingo hall part of revitalization
-  current facility revitalization



Southwestern Ontario: Zone SW10

May be excluded from RFP

Existing facility: Casino Niagara

Facility description

- Location 5705 Falls Avenue
Niagara Falls, L2E 6T3
- Ownership structure Owned by OLG
Building lease, operated
by Falls Management Co
- OLG employees (FTEs) n/a¹

Gaming data

- Gaming area 88,836 sq. ft
- Slot machines 1,550
- Tables 40
- OLG Gaming Revenues (FY12) \$93.8M
- OLG Non-Gaming Revenues² (FY12) \$5.5M
- Visitors/year (FY12) 2,357,350

Other information

- Bingo halls part of OLG
revitalization plan 0

¹ Not operated by OLG

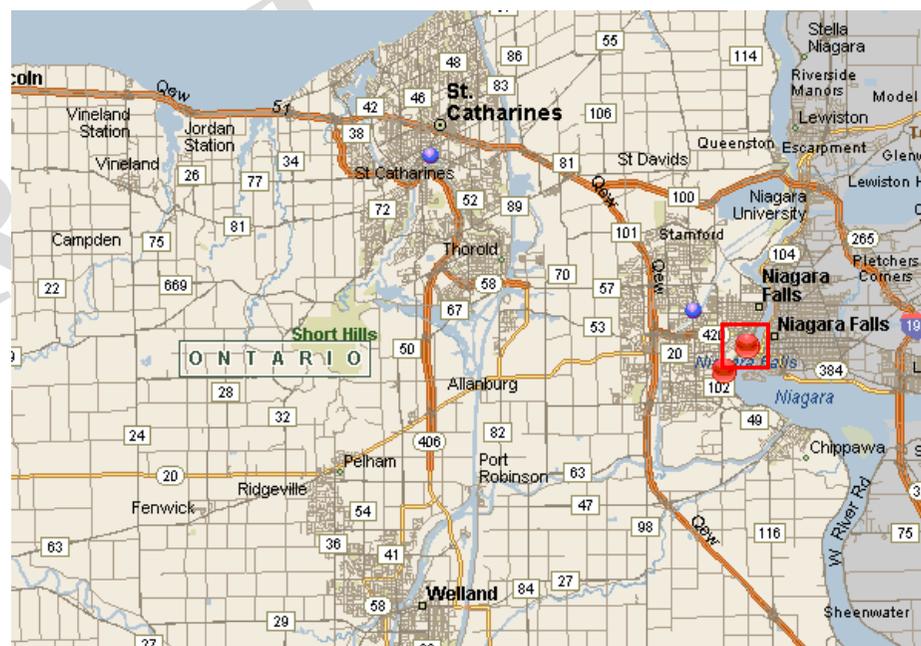
² Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

 Bingo hall part of revitalization  Current facility

- Site is in the City of Niagara Falls

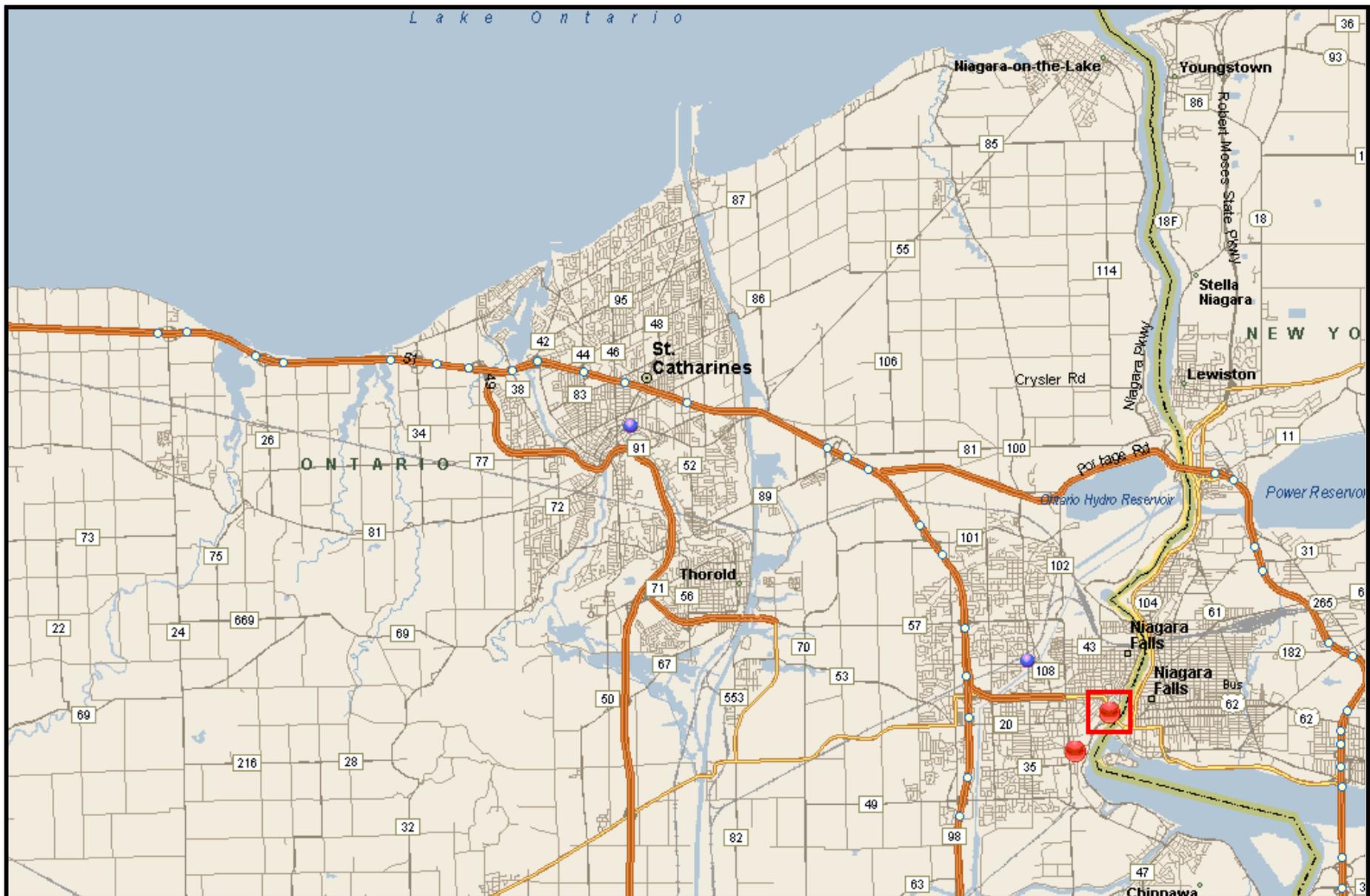


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 1,750
- Allowed range of table games TBD

SW10

-  Bingo hall part of revitalization
-  current facility



Southwestern Ontario: Zone SW I I

May be excluded from RFP

Existing facility: Fallsview

Facility description

- Location 6380 Fallsview Boulevard
Niagara Falls, L2G 7X5
- Ownership structure Freehold, operated by
Falls Management Co
- OLG employees (FTEs) n/a¹

Gaming data

- Gaming area 135,137 sq. ft
- Slot machines 3,100
- Tables 133
- OLG Gaming Revenues (FY12) \$487.7M
- OLG Non-Gaming Revenues² (FY12) \$28.5M
- Visitors/year (FY12) 5,928,534

Other information

- Bingo halls part of OLG
revitalization plan 0

¹ Not operated by OLG

² Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

 Bingo hall part of revitalization  Current facility

- Site is in the City of Niagara Falls

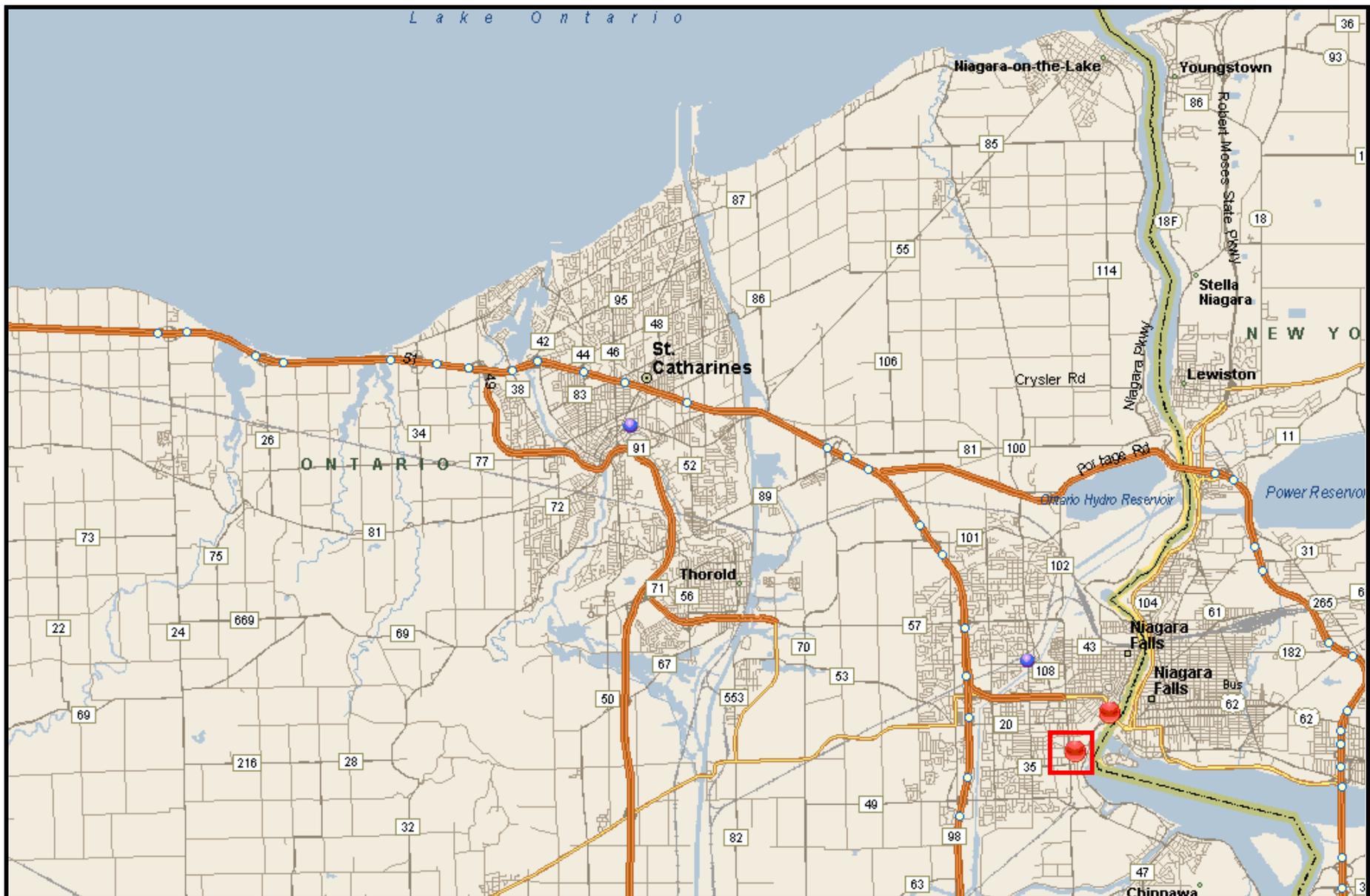


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 3,250
- Allowed range of table games TBD

SWII

-  Bingo hall part of revitalization
-  current facility revitalization



Southwestern Ontario: Zone SW12

May be excluded from RFP

Existing facility: Caesars Windsor

Facility description

- Location 377 Riverside Drive East
Windsor, N9A 7H7
- Ownership structure Freehold, operated by
Caesars Entertainment
- OLG employees (FTEs) n/a¹

Gaming data

- Gaming area 100,000 sq. ft
- Slot machines 2,400
- Tables 81
- OLG Gaming Revenues (FY12) \$227.5M
- OLG Non-Gaming Revenues² (FY12) \$33.5M
- Visitors/year (FY12) 3,671,094

Other information

- Bingo halls part of OLG
revitalization plan 0

¹ Not operated by OLG

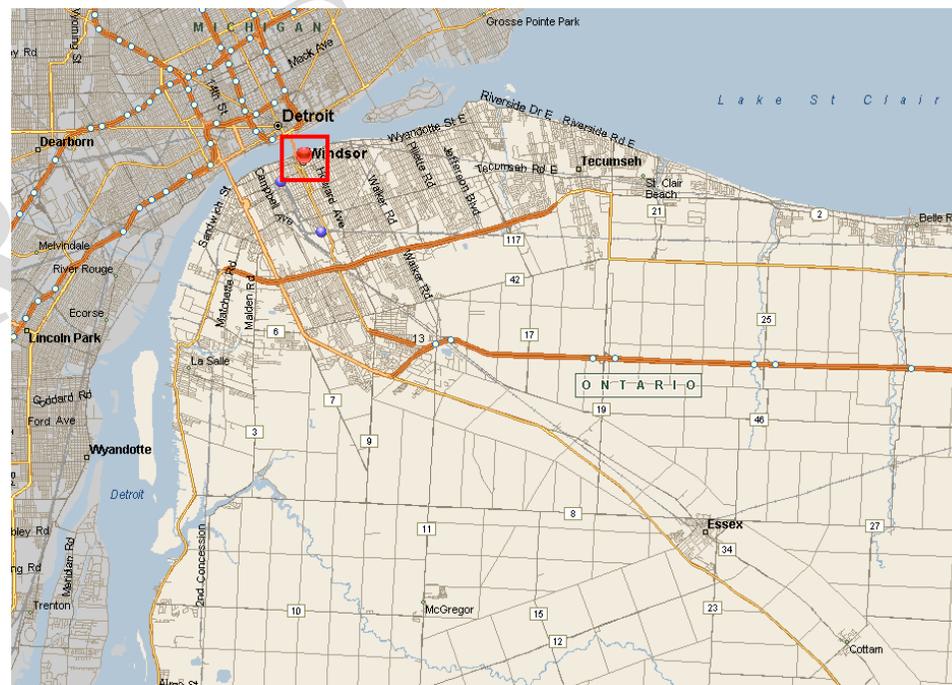
² Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

 Bingo hall part of revitalization  Current facility

- Site is in the City of Windsor



Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 2,500
- Allowed range of table games TBD

SWI2

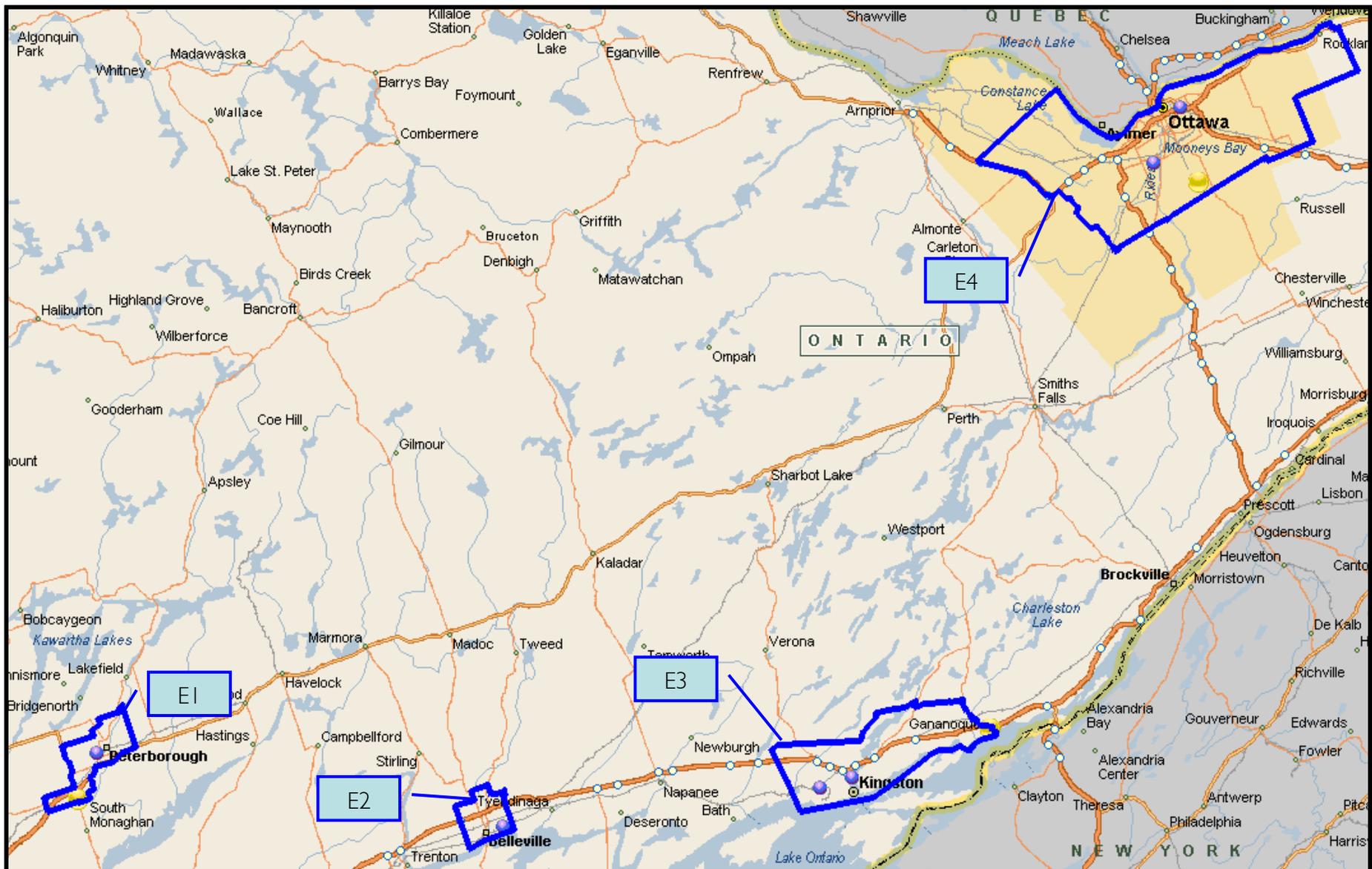
 Bingo hall part of revitalization  current facility revitalization



Eastern Ontario

Eastern Ontario

● Bingo hall part of revitalization ● Existing facilities



Eastern Ontario: Zone E1

Existing facility: OLG Slots at Kawartha Downs

Facility description

- Location 1382 County Road 28
Fraserville, K0L 1V0
- Ownership structure Leasehold – Owned by
Kawartha Downs Ltd.
- OLG-owned amenities None
- 3rd party amenities Restaurant, bar
- OLG employees (FTEs) 149

Gaming data

- Gaming area 10,641 sq. ft
- Slot machines 450
- Tables 0
- OLG Gaming Revenues (FY12) \$64.7M
- OLG Non-Gaming Revenues¹ (FY12) \$0.1M
- Visitors/year (FY12) 786,202

Other information

- Bingo halls part of OLG revitalization plan |

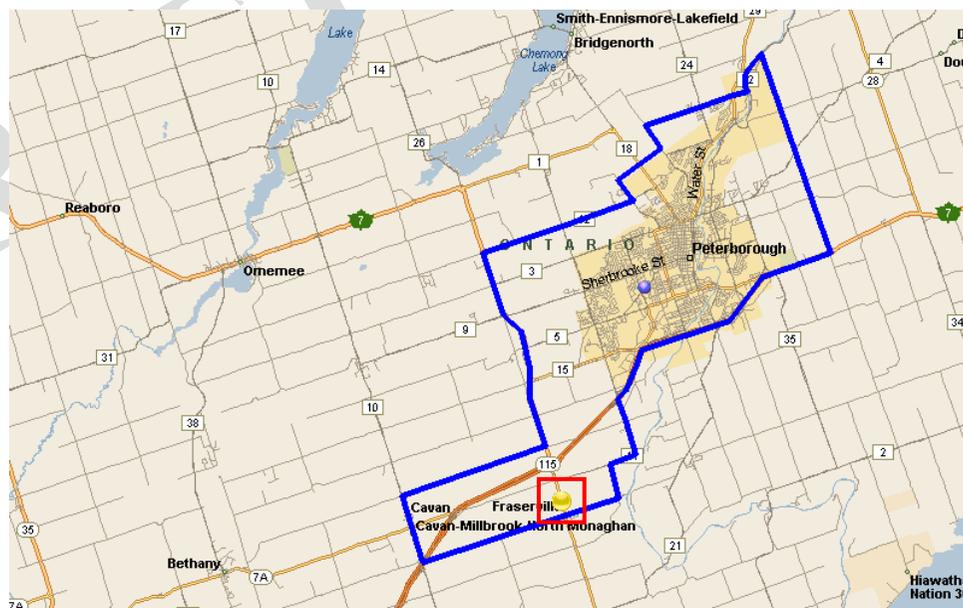
¹ Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

- Bingo hall part of revitalization
- Current facility

- Zone includes City of Peterborough, Peterborough County (Township of Cavan-Monaghan, Township of Ottonabee-South Monaghan, Township of Smith-Ennismore-Lakefield)

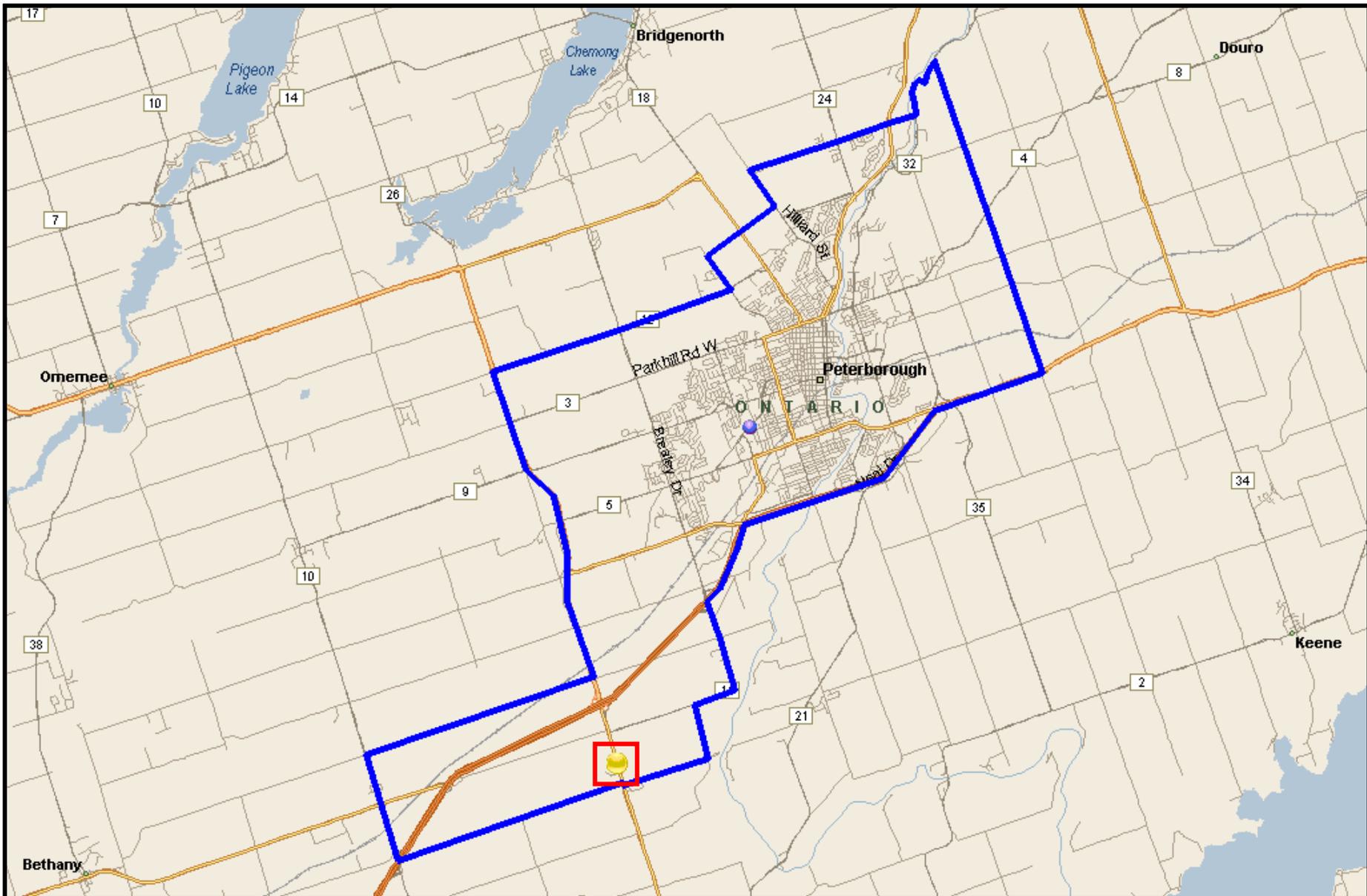


Gaming offering flexibility

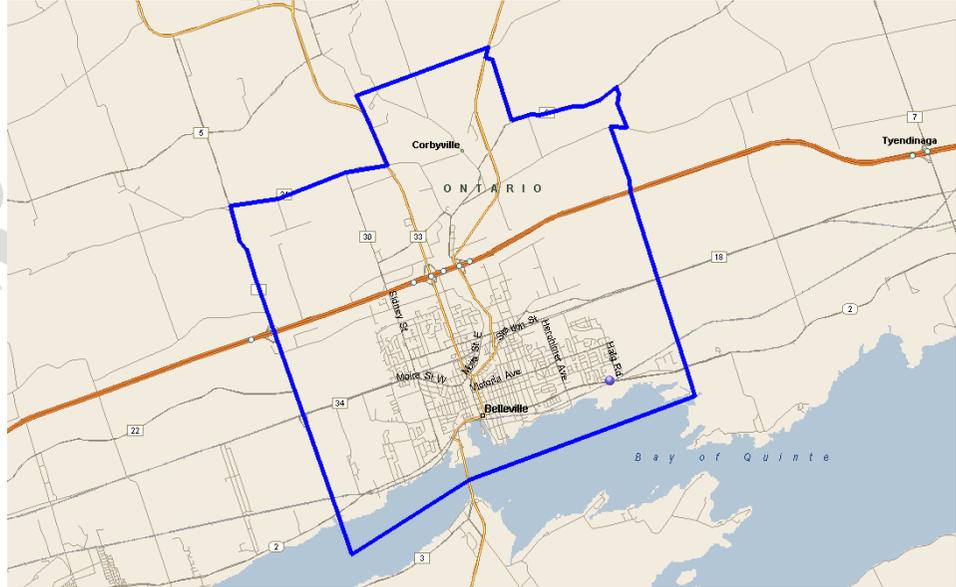
- Maximum number of facilities |
- Allowed range of slot machines Up to 600
- Allowed range of table games TBD

E1

 Bingo hall part of revitalization  current facility revitalization



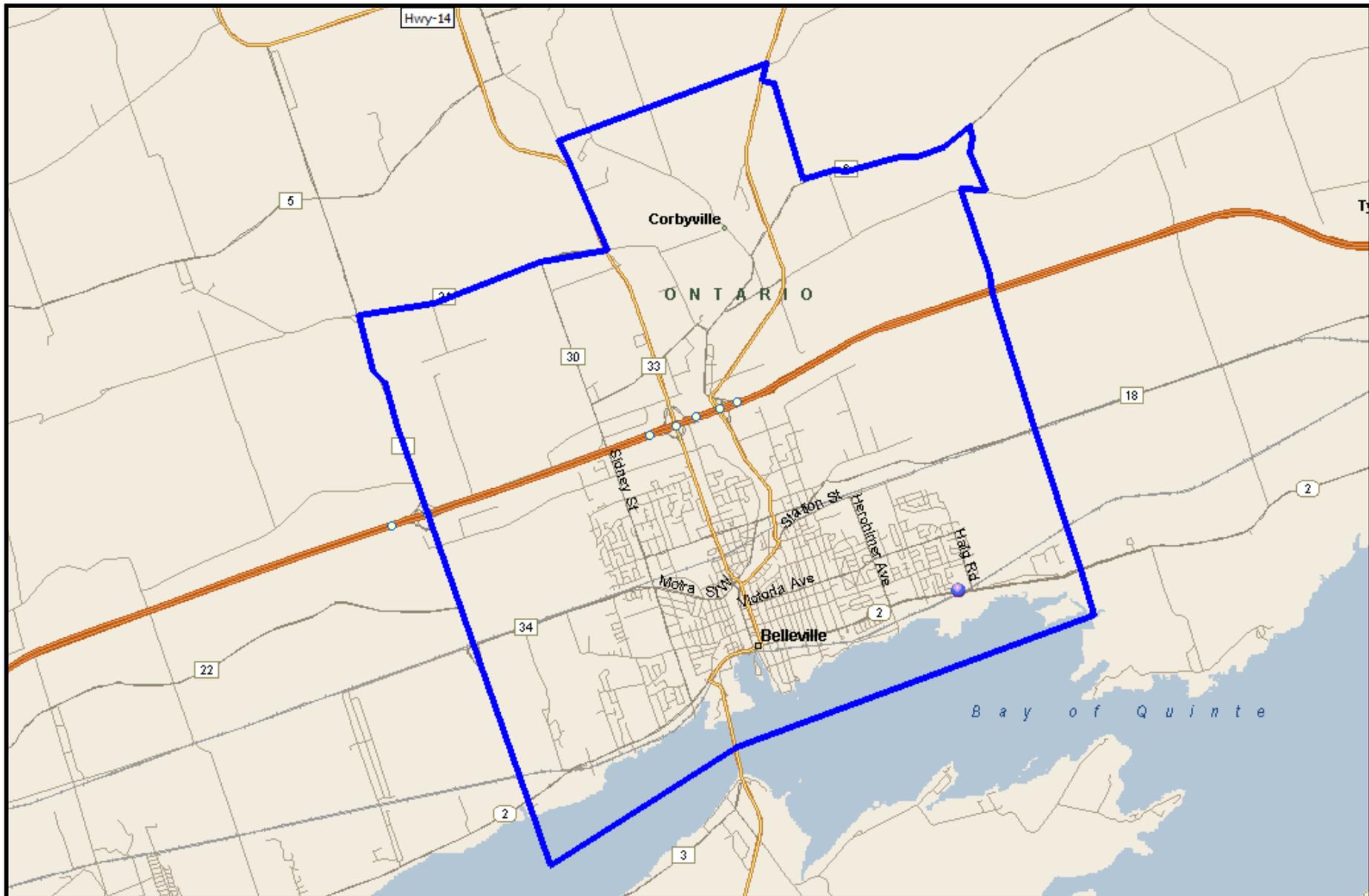
Eastern Ontario: Zone E2

<p>Existing facility: no existing facility</p>	<p>Zone definitions</p>
<p>Facility description</p>	<p>Municipalities included</p>
<ul style="list-style-type: none"> ▪ Location [new facility] ▪ Ownership structure [new facility] ▪ OLG-owned amenities [new facility] ▪ 3rd party amenities [new facility] ▪ OLG employees (FTEs) [new facility] 	<ul style="list-style-type: none"> ▪  Bingo hall part of revitalization ▪ Zone includes City of Belleville, Municipality of Quinte West
<p>Gaming data</p>	
<ul style="list-style-type: none"> ▪ Gaming area n/a ▪ Slot machines n/a ▪ Tables n/a ▪ OLG Gaming Revenues (FY12) n/a ▪ OLG Non-Gaming Revenues (FY12) n/a ▪ Visitors/year (FY12) n/a 	<p>Gaming offering flexibility</p>
<p>Other information</p>	<ul style="list-style-type: none"> ▪ Maximum number of facilities ▪ Allowed range of slot machines Up to 300 ▪ Allowed range of table games TBD
<ul style="list-style-type: none"> ▪ Bingo halls part of OLG revitalization plan 	

Note: Zone boundaries are approximate and will include locations within 100 metres of boundary as depicted on map. FY12 figures are unaudited
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E2

 Bingo hall part of revitalization



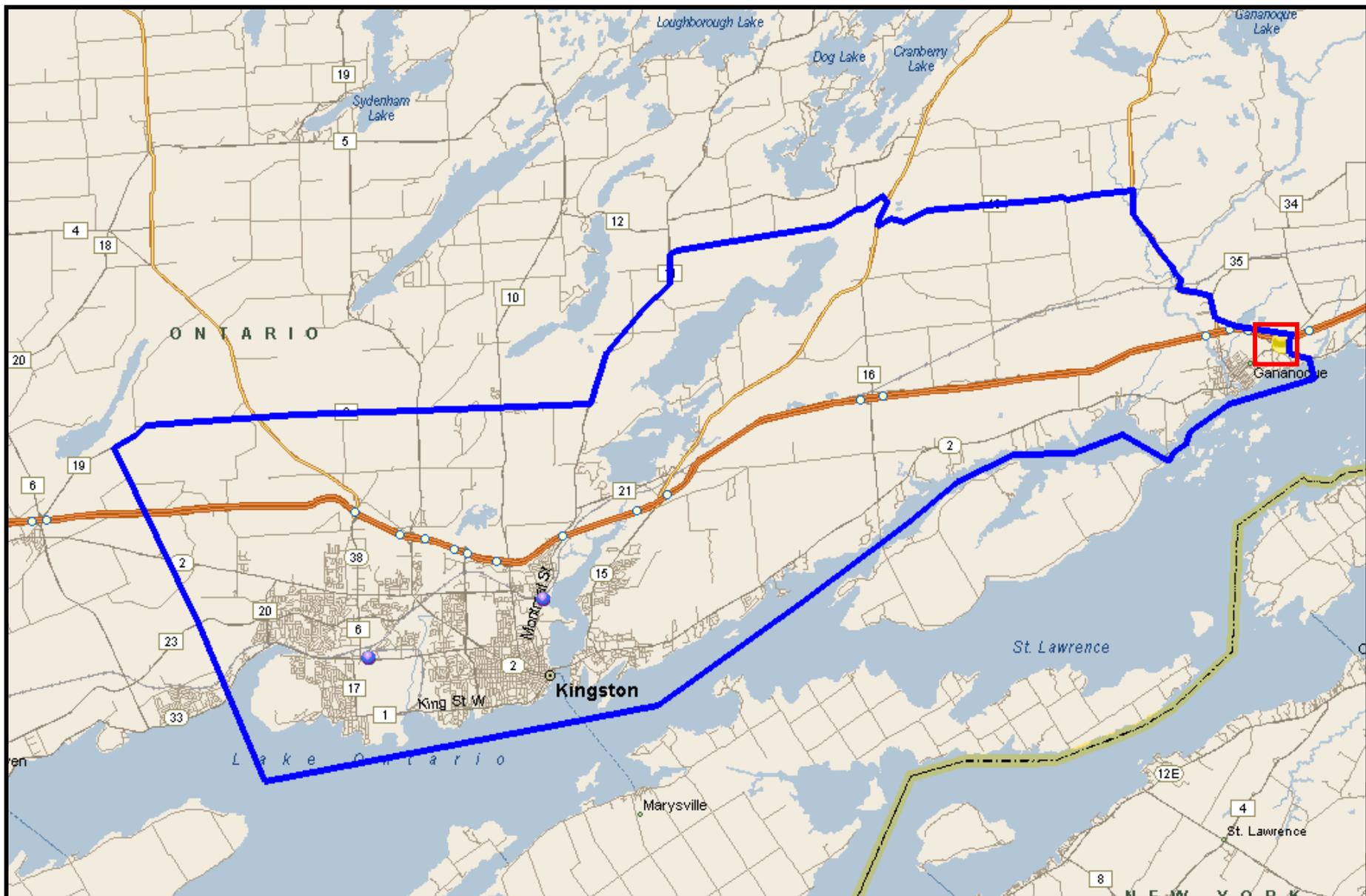
Eastern Ontario: Zone E3

Existing facility: OLG Casino Thousand Islands		Zone definitions	
Facility description		Municipalities included	
<ul style="list-style-type: none"> Location 	380 Highway 2 Gananoque, K7G 2V4	<ul style="list-style-type: none"> Zone contains City of Kingston, Frontenac County (Township of South Frontenac), City of Gananoque, Leeds and Grenville United Counties (Township of Leeds and the Thousand Islands) 	Bingo hall part of revitalization □ Current facility
<ul style="list-style-type: none"> Ownership structure 	Freehold Owned by OLG		
<ul style="list-style-type: none"> OLG-owned amenities 	Restaurant, bar		
<ul style="list-style-type: none"> 3rd party amenities 	None		
<ul style="list-style-type: none"> OLG employees (FTEs) 	342		
Gaming data			
<ul style="list-style-type: none"> Gaming area 	16,276 sq. ft		
<ul style="list-style-type: none"> Slot machines 	492		
<ul style="list-style-type: none"> Tables 	22		
<ul style="list-style-type: none"> OLG Gaming Revenues (FY12) 	\$74.8M		
<ul style="list-style-type: none"> OLG Non-Gaming Revenues¹ (FY12) 	\$1.8M		
<ul style="list-style-type: none"> Visitors/year (FY12) 	830,525		
Other information		Gaming offering flexibility	
<ul style="list-style-type: none"> Bingo halls part of OLG revitalization plan 	2	<ul style="list-style-type: none"> Maximum number of facilities 	1
		<ul style="list-style-type: none"> Allowed range of slot machines 	Up to 600
		<ul style="list-style-type: none"> Allowed range of table games 	TBD

¹ Food & Beverage, Retail space and Lottery Ticket Commission

E3

 Bingo hall part of revitalization  current facility revitalization



Eastern Ontario: Zone E4

Existing facility: OLG Slots at Rideau Carleton

Facility description

- Location 4837 Albion Road
Ottawa, K1X 1A3
- Ownership structure Leasehold – owned by
Rideau Carlton Raceway
Holdings Ltd.
- OLG-owned amenities None
- 3rd party amenities Restaurant, bar
- OLG employees (FTEs) 244

Gaming data

- Gaming area 32,969 sq. ft
- Slot machines 1,250
- Tables 0
- OLG Gaming Revenues (FY12) \$139.6M
- OLG Non-Gaming Revenues¹ (FY12) \$0.1M
- Visitors/year (FY12) 1,786,980

Other information

- Bingo halls part of OLG
revitalization plan 2

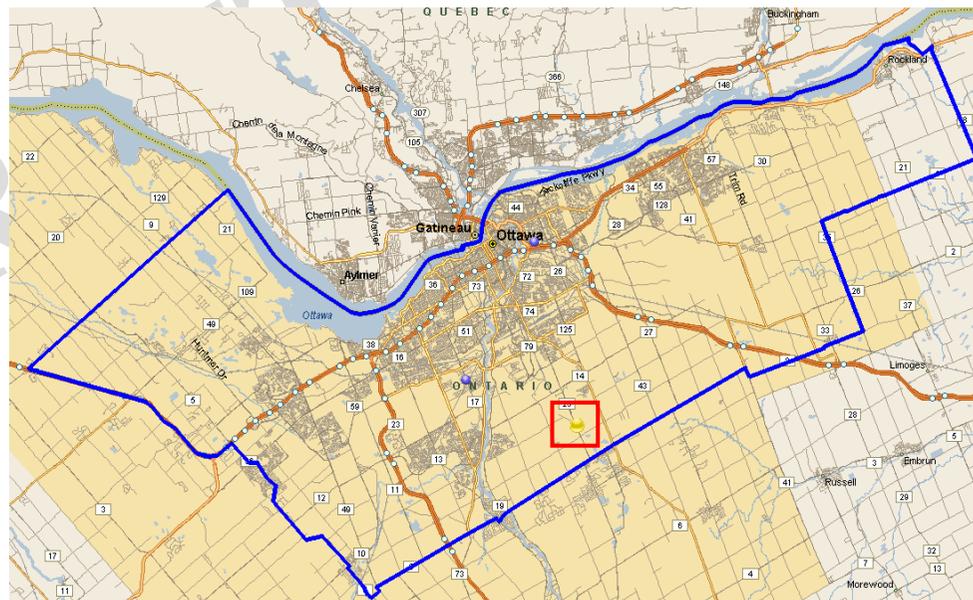
¹ Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

- Bingo hall part of revitalization
- Current facility

- Zone includes the City of Ottawa and the United Counties of Prescott and Russell (City of Clarence-Rockland)

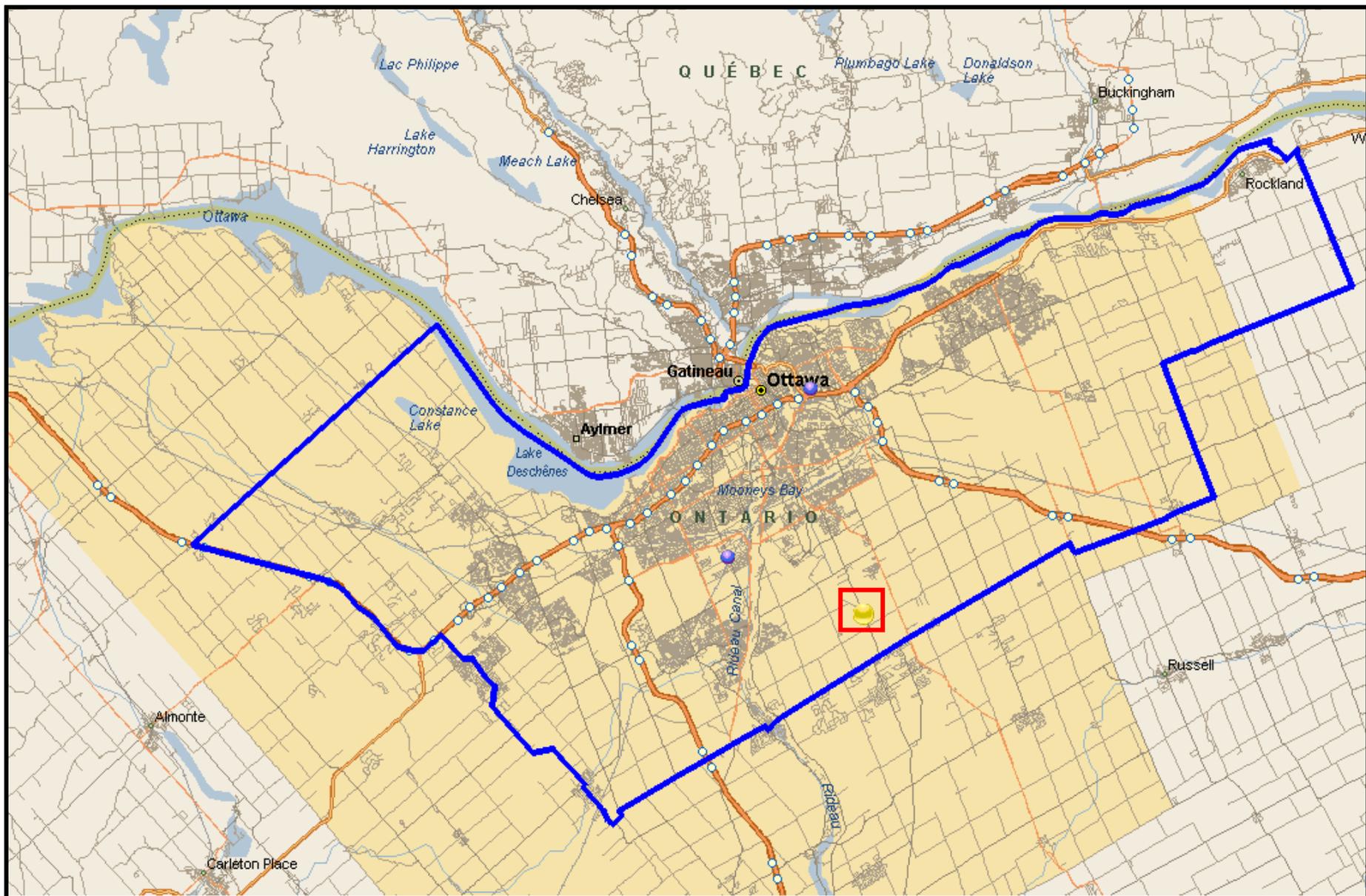


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 2,000
- Allowed range of table games TBD

E4

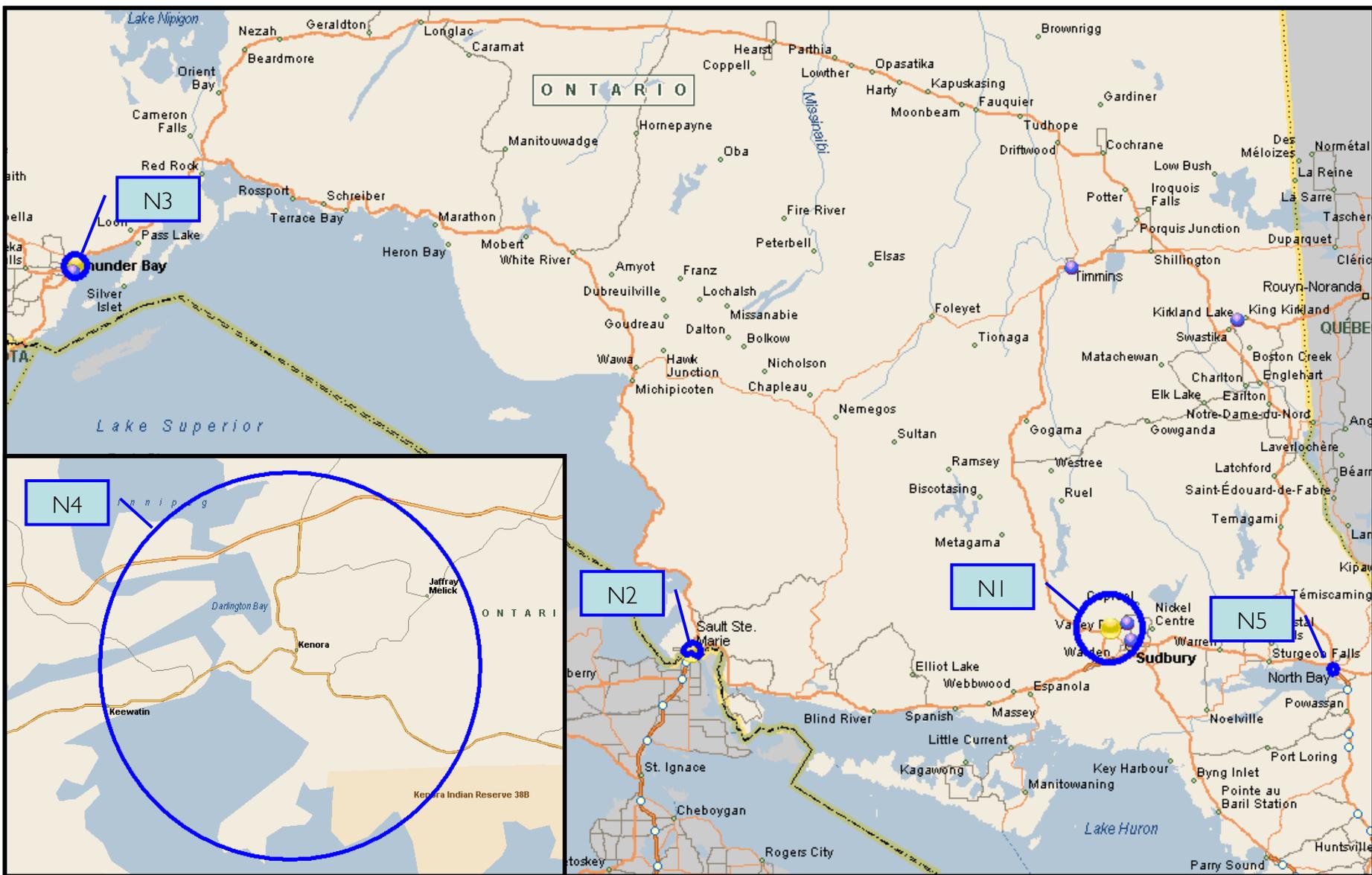
 Bingo hall part of revitalization  current facility



Northern Ontario

Northern Ontario

● Bingo hall part of revitalization ● Existing facilities revitalization



Northern Ontario: Zone NI

Existing facility: OLG Slots at Sudbury Downs

Facility description

- Location 400 Bonin Street
Chelmsford, P0M 1L0
- Ownership structure Leasehold - owned by
MacRanald Enterprises Inc.
- OLG-owned amenities None
- 3rd party amenities Restaurant, bar
- OLG employees (FTEs) 134

Gaming data

- Gaming area 10,206 sq. ft
- Slot machines 390
- Tables 0
- OLG Gaming Revenues (FY12) \$49.4M
- OLG Non-Gaming Revenues¹ (FY12) \$0.0M
- Visitors/year (FY12) 582,122

Other information

- Bingo halls part of OLG
revitalization plan 2

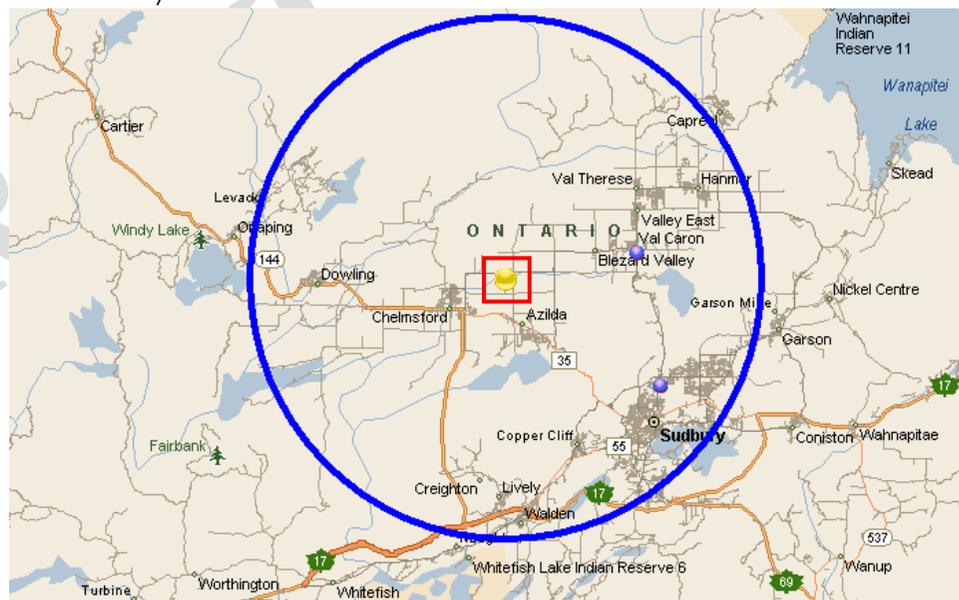
¹ Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

● Bingo hall part of revitalization
 Current facility

- Zone includes the City of Greater Sudbury, Unorganized Sudbury District

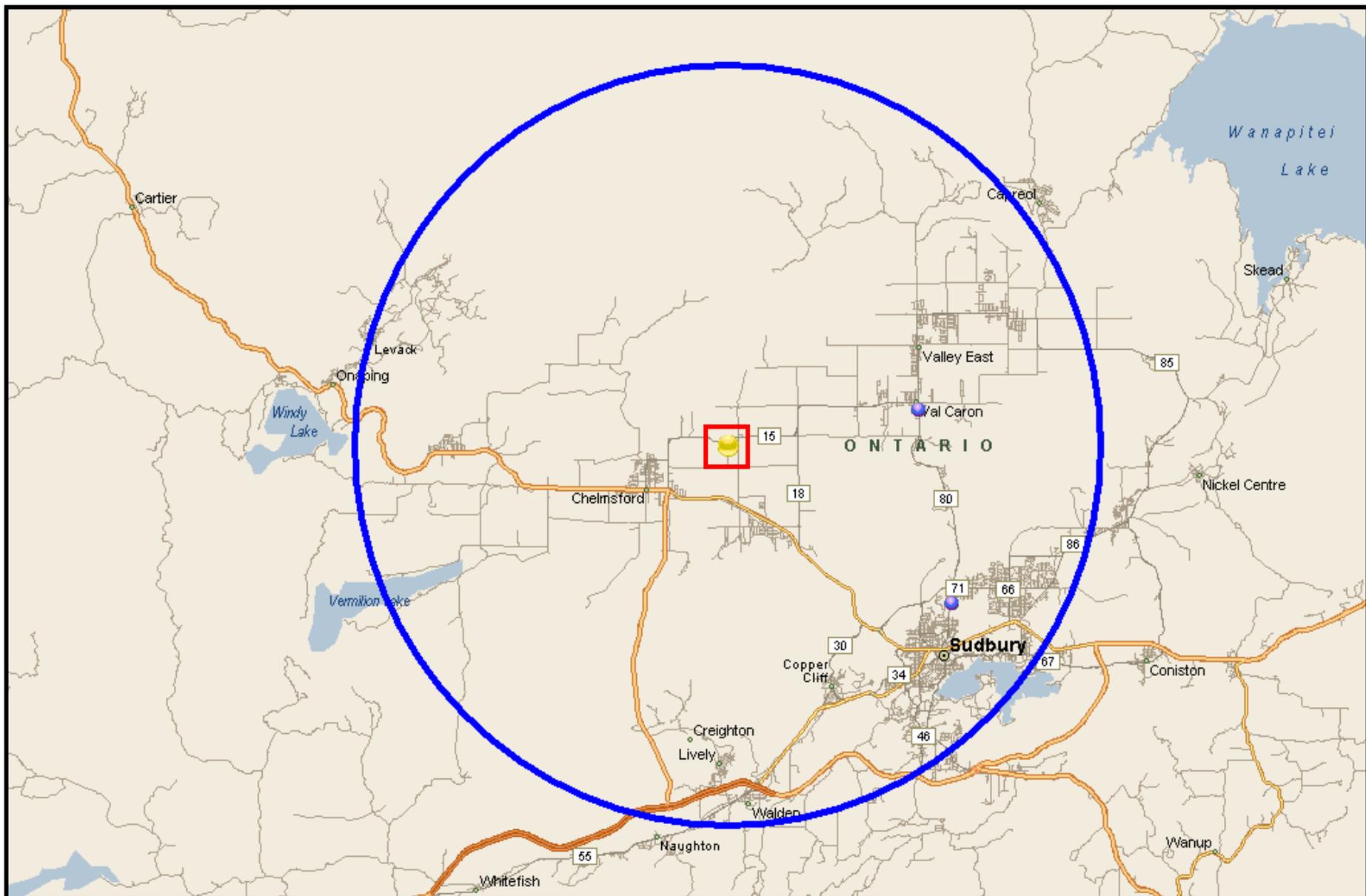


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 600
- Allowed range of table games TBD

NI

 Bingo hall part of revitalization  current facility revitalization



Northern Ontario: Zone N2

Existing facility: OLG Casino Sault Ste. Marie

Facility description

- Location 30 Bay Street West
Sault Ste. Marie, P6A 7A6
- Ownership structure Freehold
Owned by OLG
- OLG-owned amenities Restaurant, bar
- 3rd party amenities None
- OLG employees (FTEs) 261

Gaming data

- Gaming area 20,154 sq. ft
- Slot machines 432
- Tables 13
- OLG Gaming Revenues (FY12) \$28.3M
- OLG Non-Gaming Revenues¹ (FY12) \$1.1M
- Visitors/year (FY12) 622,770

Other information

- Bingo halls part of OLG revitalization plan 0

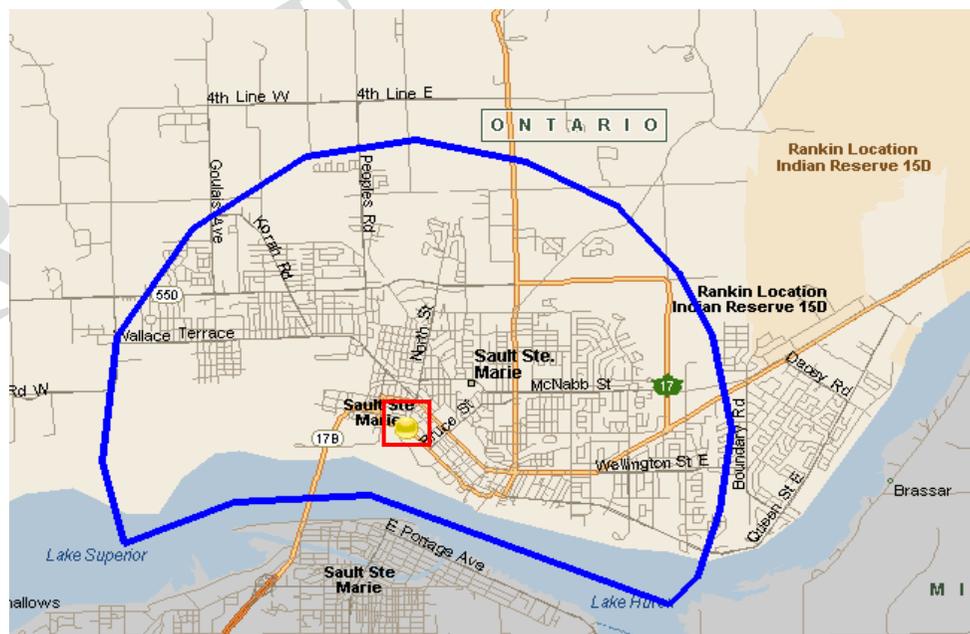
¹ Food & Beverage, Retail space and Lottery Ticket Commission

Zone definitions

Municipalities included

Current facility

- Zone includes City of Sault Ste. Marie

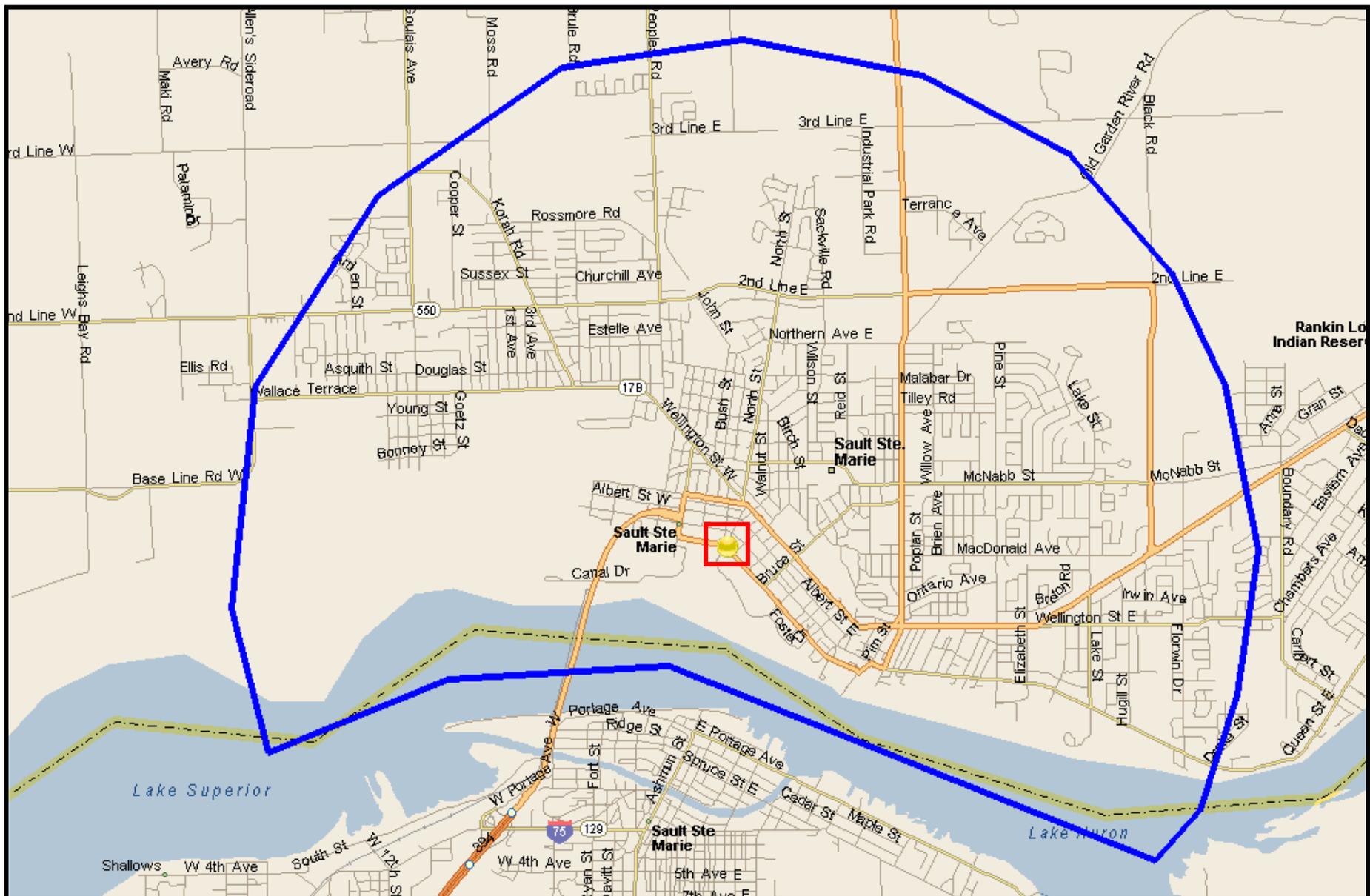


Gaming offering flexibility

- Maximum number of facilities 1
- Allowed range of slot machines Up to 600
- Allowed range of table games TBD

N2

 current facility



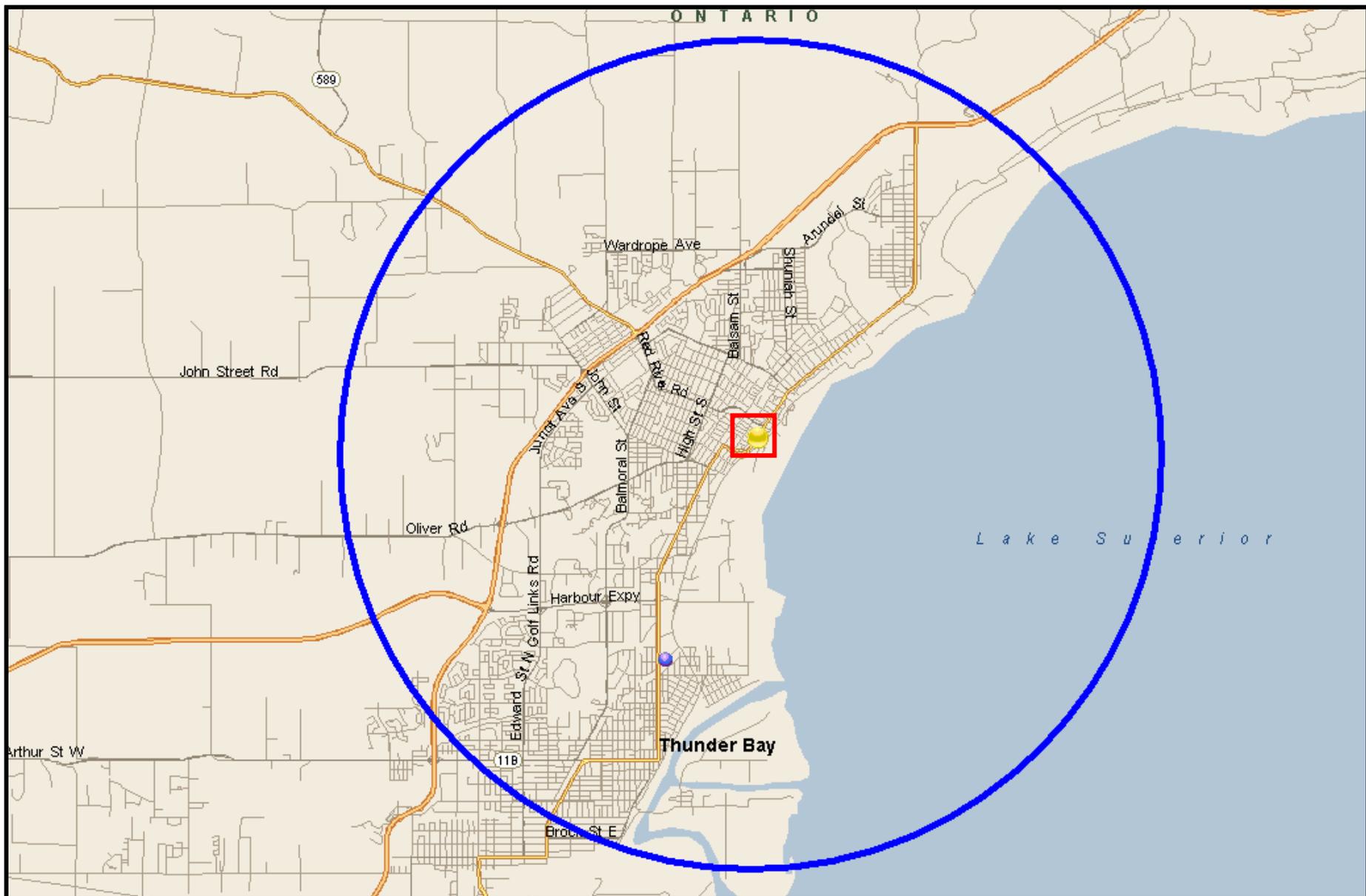
Northern Ontario: Zone N3

<p>Existing facility: OLG Casino Thunder Bay</p>	<p>Zone definitions</p>
<p>Facility description</p>	<p>Municipalities included</p>
<ul style="list-style-type: none"> ▪ Location 50 Cumberland Street South Thunder Bay, P7B 5L4 ▪ Ownership structure Freehold Owned by OLG ▪ OLG-owned amenities Restaurant, bar ▪ 3rd party amenities None ▪ OLG employees (FTEs) 312 	<ul style="list-style-type: none"> ● Bingo hall part of revitalization Current facility ▪ Zone includes City of Thunder Bay
<p>Gaming data</p>	
<ul style="list-style-type: none"> ▪ Gaming area 13,043 sq. ft ▪ Slot machines 450 ▪ Tables 14 ▪ OLG Gaming Revenues (FY12) \$50.2M ▪ OLG Non-Gaming Revenues¹ (FY12) \$1.7M ▪ Visitors/year (FY12) 964,582 	<p>Gaming offering flexibility</p>
<p>Other information</p>	<ul style="list-style-type: none"> ▪ Maximum number of facilities 1 ▪ Allowed range of slot machines Up to 600 ▪ Allowed range of table games TBD
<ul style="list-style-type: none"> ▪ Bingo halls part of OLG revitalization plan 1 	

¹ Food & Beverage, Retail space and Lottery Ticket Commission

N3

 Bingo hall part of revitalization  current facility revitalization



Northern Ontario: Zone N4

<p>Existing facility: no existing facility</p>	<p>Zone definitions</p>
<p>Facility description</p>	<p>Municipalities included</p>
<ul style="list-style-type: none"> ▪ Location [new facility] ▪ Ownership structure [new facility] ▪ OLG-owned amenities [new facility] ▪ 3rd party amenities [new facility] ▪ OLG employees (FTEs) [new facility] 	<ul style="list-style-type: none"> ▪ Zone includes City of Kenora and a portion of the lands of Wauzhushk Onigum Nation (Kenora Indian Reserve 38B)
<p>Gaming data</p>	
<ul style="list-style-type: none"> ▪ Gaming area n/a ▪ Slot machines n/a ▪ Tables n/a ▪ OLG Gaming Revenues (FY12) n/a ▪ OLG Non-Gaming Revenues (FY12) n/a ▪ Visitors/year (FY12) n/a 	<p>Gaming offering flexibility</p> <ul style="list-style-type: none"> ▪ Maximum number of facilities 1 ▪ Allowed range of slot machines Up to 300 ▪ Allowed range of table games TBD
<p>Other information</p> <ul style="list-style-type: none"> ▪ Bingo halls part of OLG revitalization plan 0 	

Note: Zone boundaries are approximate and will include locations within 100 metres of boundary as depicted on map. FY12 figures are unaudited

N4

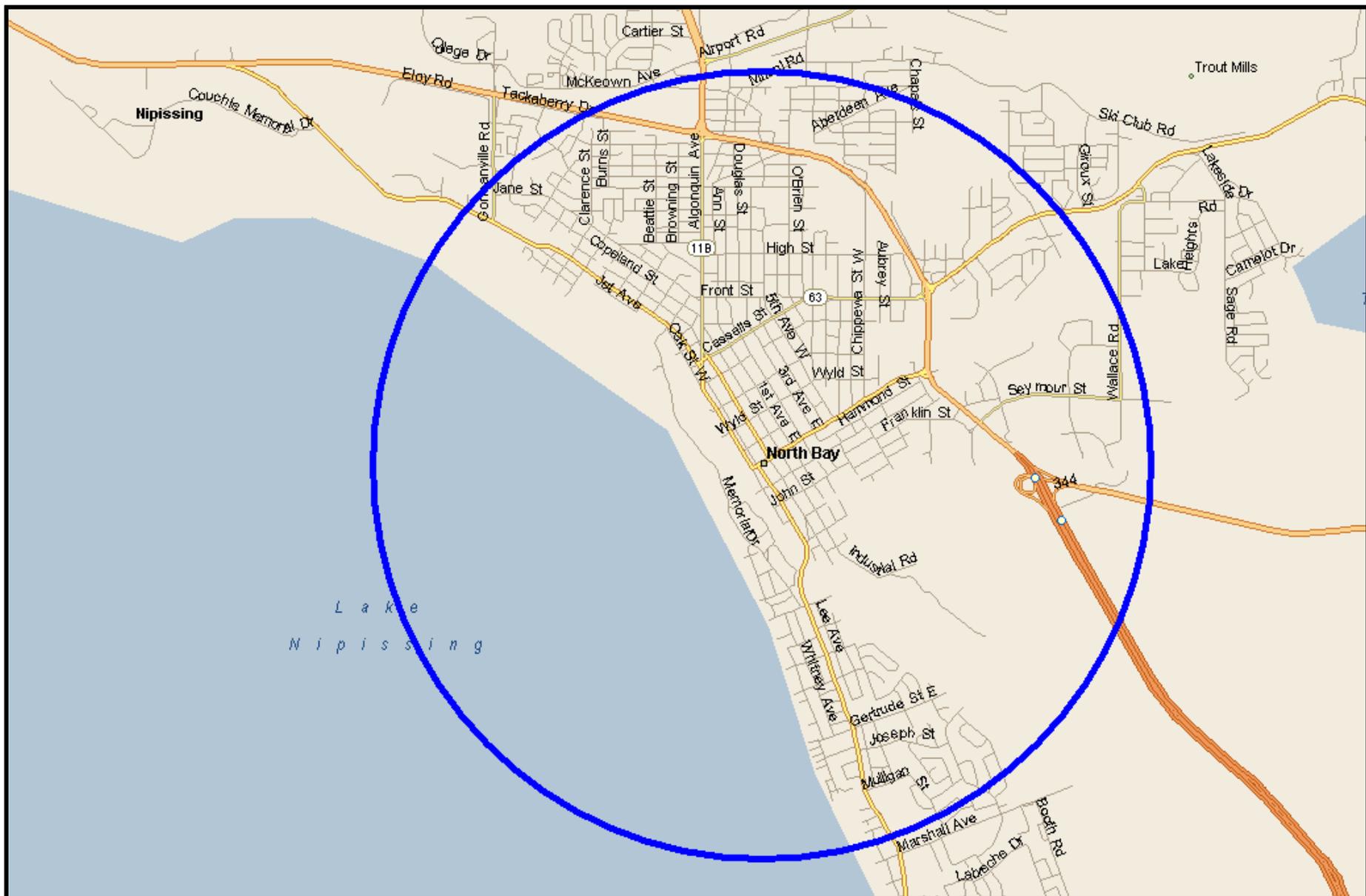


Northern Ontario: Zone N5

<p>Existing facility: no existing facility</p>	<p>Zone definitions</p>
<p>Facility description</p>	<p>Municipalities included</p>
<ul style="list-style-type: none"> ▪ Location [new facility] ▪ Ownership structure [new facility] ▪ OLG-owned amenities [new facility] ▪ 3rd party amenities [new facility] ▪ OLG employees (FTEs) [new facility] 	<ul style="list-style-type: none"> ▪ Zone includes City of North Bay
<p>Gaming data</p>	
<ul style="list-style-type: none"> ▪ Gaming area n/a ▪ Slot machines n/a ▪ Tables n/a ▪ OLG Gaming Revenues (FY12) n/a ▪ OLG Non-Gaming Revenues (FY12) n/a ▪ Visitors/year (FY12) n/a 	<p>Gaming offering flexibility</p>
<p>Other information</p> <ul style="list-style-type: none"> ▪ Bingo halls part of OLG revitalization plan 0 	<ul style="list-style-type: none"> ▪ Maximum number of facilities ▪ Allowed range of slot machines Up to 300 ▪ Allowed range of table games TBD

Note: Zone boundaries are approximate and will include locations within 100 metres of boundary as depicted on map. FY12 figures are unaudited
 RFI # 1213-001 Modernizing Land Based Gaming in Ontario

N5



Appendix C to Schedule B

Charitable Gaming Locations

FOR INFORMATION ONLY

BINGO HALL	CITY	ADDRESS
BOARDWALK GAMING CENTRE BARRIE	Barrie	52 Bayfield St. Barrie. L4M 3A5
TREASURE CHEST BINGO	Kingston	1600 Bath Road. Kingston, K7M 4X7
KAWARTHA CLUB BINGO	Peterborough	1019 Clonsilla Ave. Peterborough
BOARDWALK GAMING CENTRE SUDBURY	Sudbury	940 Newgate Ave. Sudbury. P3A 5J9
BREAKAWAY BINGO	Windsor.	655 Crawford Ave. Windsor. N9A 5C7
PARADISE BINGO	Windsor.	2340 Dougall Ave. Windsor. N8X 1T1
VALLEY BINGO	Sudbury (Val Caron)	2914 Highway 69 North. Sudbury (Val Caron) P3N 1E3
COMMUNITY SPIRIT BINGO CENTRE	Kingston	900 Montreal St. Kingston. K7K 3J9
ANGEL GATE BINGO	Penetanguishene	175 Main St. Penetanguishene. L9M 1L8
DELTA MAYFAIR OAKVILLE	Oakville.	483 Speers Road. Oakville. L6K 2G4
MEADOWVALE BINGO	Mississauga.	2295 Battleford Rd. Mississauga. L5N 2W8
DELTA BINGO	Toronto.	1799 St. Clair Avenue West. Toronto. M6N 1J9
DOLPHIN BINGO	Toronto	1911 Eglinton Ave E. Toronto. M1L 4P4
RUTHERFORD BINGO	Brampton	291 Rutherford Rd S. Brampton. L6W 3R5
DELTA BINGO RICHMOND HILL	Richmond Hill.	350 Newkirk Road. Richmond Hill. L4C 3G7
DELTA MAYFAIR PICKERING	Pickering	975 Dillingham Road. Pickering. L1W 1Z7
BINGO WORLD	NewMarket	1230 Kerrisdale Blvd. NewMarket. L3Y 8Z9
LONG SAULT BINGO	Hawkesbury	740 Laurier St.Hawkesbury. K6A 3N9
THUNDER BAY CB	Thunder Bay	425 Northern Avenue. Thunder Bay. P7C 2V7
BINGO COUNTY LONDON	London	1106 Dearness Drive. London. N6E 1N9
LUCKY DAYS BINGO	London	539 First St. London. N5V 1Z5
BINGO COUNTRY	St. Thomas	140 Edward St. St. Thomas. N5P 1Z3
BOARDWALK GAMING STRATFORD	Stratford	353 McCarthy Rd. Stratford. N5A 6W1
CAMBRIDGE BINGO CENTRE	Cambridge	255 Elgin Street North. Cambridge. N1R 7G4
RIVERVIEW BINGO COUNTRY LTD.	Chatham	497 Riverview Line . Chatham. N7M 5J5
CHANCES	Leamington	14 Mill Street East. Leamington. N8H 1R7
SOUND BINGO	Owen Sound	938 2nd Ave E. Owen Sound. N4K 2H6
BINGOLAND SOUTH	Ottawa	9 Slack Rd. Ottawa. K1G 0B7
OVERBROOK BINGO PALACE	Ottawa	1150 Lola St. Ottawa. K1K 3W9
BINGO COUNTY	Pembroke	1371 Pembroke St. W.Pembroke. K8A 7A5
DELTA UNCLE SAMS BINGO	Fort Erie	427 Garrison Road. Fort Erie. L2A 6E6
GOLDEN NUGGET BINGO	Fort Erie	655 Garrison Road. Fort Erie. L2A 1N5
DELTA BINGO	Niagara Falls	4735 Drummond Road. Niagara Falls. L2E 6C8
DELTA BINGO CENTRE HAMILTON	Hamilton	45 King Street East. Hamilton. L8N 1A5
DELTA BINGO ST CATHERINES	St. Catharines	227 Church St. St. Catharines. L2R 3E8
TIMMINS CITY BINGO	Timmins	251 First Ave. Timmins. P4N 1H6
BINGO COUNTY SARNIA	Sarnia	825 Upper Canada Dr. Sarnia. N7W 1A3
BELLEVILLE LIONS	Belleville	610 Dundas St E. Belleville. K8N 1G7
KIRKLAND LAKE	Kirkland Lake	38 Duncan St North. Kirkland Lake. P2N 3N8

FOR INFORMATION ONLY

Schedule D

RFI Submission Requirements

RFI SUBMISSION REQUIREMENTS

SCHEDULE D OF THE RFI

QUESTIONS

The objective of this RFI is to conduct a market sounding for Respondents interest in participating in the delivery of gaming services in Ontario, as identified in Schedule B Section 4. It is intended to gather information on respondents' views about the land based gaming business in the Province. In order to cover all key subjects, the questions are grouped into four main areas: gaming zones, OLG's role, compensation structure and other topics.

Each respondent to the RFI should **answer the questions below** and submit them to OLG prior to the deadline defined in schedule A.

1 – Gaming zones

*For information regarding zones, please refer to **Schedule B Section 4.3** of this RFI.*

- a. Please identify which gaming zone or zones you would be most interested in submitting a proposal for the right to operate gaming. Please provide your rationale.
- b. The number of gaming zones permitted to be operated by a single service provider may be limited. Please rank the zones which would be most desirable to you, and explain why.
- c. Based on the gaming zones you are interested in, please comment on:
 - i) If you were to create new zones or modify proposed zones in order to make them more attractive, what would you do?
 - ii) Are there zones that should be combined or grouped together? If so, please provide rationale.
- d. What factors do you think OLG should consider when deciding whether to finalize the proposed zones or change them?
- e. Based on the gaming zones you are interested in, please comment on:
 - i) The number of slot positions proposed for each zone in *Appendix B to Schedule B*.
 - ii) Would you consider offering table games at each of those zones? If so, in which one of them? What is your rationale?
- f. If OLG were to go forward with a competitive RFP process, should all zones be tendered simultaneously or in a sequenced manner? Please provide rationale.
- g. Based on the gaming zones you expressed interest, if OLG were to pursue a competitive RFP process, how much time would be appropriate for you to develop a proposal for each zone?

2 – OLG's Role

*For information regarding OLG's role, please refer to **Schedule B Section 5** of this document.*

- a. Given the functions OLG will continue to control or otherwise be involved in, how could OLG best implement control over these functions to ensure service providers are best able to maximize value?
- b. Based on the functions that OLG will control or continue to be involved in, please describe any significant challenges these will create.
- c. OLG may offer a single, integrated loyalty program common to all gaming sites in the Province. What impact would that have on your operations and the value attributed to running a gaming zone?
- d. Would you be interested in receiving any of the other centrally provided shared services that OLG may offer per schedule B? If so, which ones? How would you value each of these services? Are there other services that you would like to receive from OLG?
- e. Do you see value in OLG owning and maintaining the site-specific technology and infrastructure of the GMS at a site level (e.g., network cabling, SMIBs, etc.), rather than requiring service providers to integrate their physical technology into OLG's central GMS? What is your experience with accountability for system upgrades and replacements in a shared technology infrastructure?
- f. How quickly would you be able to implement the installation of the technology requirements for a new GMS at a site level? Would you see value in OLG performing the physical installation as a service? What implementation issues, if any, do you foresee?
- g. Assuming a service provider would have to assume all current employees for a determined period of time (e.g. 12 months), what would be the implications?

3 – Compensation Structure

*For information regarding compensation structure, please refer to **Schedule B Section 4.2** of this RFI.*

- a. What return on capital would you reasonably expect a service provider to earn? From your experience how does return on capital vary across site size and asset ownership structure (e.g., ownership of gaming equipment, total capital investment required)?
- b. How should the compensation structure account for capital expenditures (initial and ongoing)? How should it be managed?
- c. How can the possible disparity between asset life (e.g. new slot machines, buildings) and agreement duration be reconciled? Based on your experience, what do you suggest?
- d. How should key operating expenditures (e.g., marketing) be factored into the compensation structure for service providers? Should any of these expenditures be accounted for separately? Please provide your rationale.
- e. How could a fee for service arrangement be developed such that it fairly compensates high-performing service providers relative to low-performing ones? Please be specific using examples where possible.
- f. Identify the components of this structure that should be set vs. flexible (target revenues, percentage fee paid to service provider, performance penalties and incentives)?
- g. Describe the payment models that you are familiar with (e.g. one-time upfront payments, on-going compensation, etc)? What are the merits each? Why?

- h. Based on the gaming zone or zones you are interested in, what duration of agreement would be most reasonable? Please provide your rationale.

4 – Other topics

- a. In addition to the operation of a physical gaming site, if you had the opportunity to market an internet gaming site associated your own site brand, and operated on OLG's digital back-end (i.e., player account management system, regulated in Ontario), would you be interested in doing so? How much value would that add to a gaming zone? Describe how this relationship might work.
- b. Please provide any other comments on the opportunities that OLG has described in this RFI.