



## Backgrounder Service Provider for the East Gaming Bundle

OLG is continuing its procurement process to modernize lottery and gaming in Ontario by selecting Ontario Gaming East Limited Partnership (“Ontario Gaming East LP”) as the service provider for Gaming Bundle 2 (East) (the “East Gaming Bundle”). Great Canadian Gaming Corporation holds the majority interest in Ontario Gaming East LP.

OLG has entered into a Transition and Asset Purchase Agreement with Ontario Gaming East LP, which sets out the customary closing conditions to be satisfied for OLG and Ontario Gaming East LP to enter into a 20-year Casino Operating and Services Agreement.

Under this agreement, Ontario Gaming East LP will take over day-to-day operations of OLG Casino Thousand Islands and OLG Slots at Kawartha Downs. OLG expects this transition to take place in early 2016.

As the service provider for the East Gaming Bundle, Ontario Gaming East LP will have the opportunity to build a new gaming and entertainment facility in Belleville or Quinte West. The proposed new facility will be subject to required regulatory, municipal and provincial government approvals.

Gaming Bundle	Gaming Zone	Current OLG Gaming Site	Host Community
East	E1	OLG Slots at Kawartha Downs	Cavan-Monaghan
	E2	Proposed new site	Belleville or Quinte West
	E3	OLG Casino Thousand Islands	Gananoque and Leeds and the Thousand Islands

***For more details on OLG’s procurement process for the modernization of lottery and gaming, including Gaming Zone maps, visit:***

[http://www.olg.ca/about/modernizing\\_lottery\\_and\\_gaming\\_project\\_status.jsp](http://www.olg.ca/about/modernizing_lottery_and_gaming_project_status.jsp)

### ***What is the Casino Operating and Services Agreement?***

Currently, OLG and Ontario Gaming East LP are operating under a temporary transitional agreement that allows the two parties to work together to share knowledge and help position Ontario Gaming East LP for success. This transition period is expected to end in early 2016.

Once the transition is complete, OLG and Ontario Gaming East LP will sign the Casino Operating and Services Agreement (COSA). This contract finalizes Ontario Gaming East

LP as the service provider for the bundle and allows it to assume responsibility for the day-to-day operation of the sites.

Ontario Gaming East LP is the service provider for the bundle, subject to customary closing conditions and pending the execution of the COSA.

## ***OLG's Modernization***

In July 2010, OLG was asked by the Ontario government to complete a comprehensive, strategic review of the lottery distribution network and land-based gaming sites. The review resulted in a report to government called *Modernizing Lottery and Gaming in Ontario*. In March 2012, OLG announced its modernization plan.

OLG is engaging the private sector to help build a new model for lottery and gaming in Ontario. OLG's modernization will expand private sector participation in the industry, which will ensure greater efficiencies because:

- Service providers will be able to focus on delivering day-to-day operations, while OLG maintains control and accountability
- Capital costs of expanding, improving or maintaining gaming facilities will be taken on by the private sector, not the government

Through modernization, OLG will:

- Become more customer focused
- Expand the regulated role of the private sector in the day-to-day operations of lottery and gaming
- Renew its role in the conduct and management of lottery and gaming

Under section 207 (1) (a) of the *Criminal Code of Canada*, only OLG is permitted to conduct and manage gaming in Ontario. That is why OLG will continue its conduct and manage role and will remain the 'operating mind' behind the delivery of gaming and lottery in Ontario.

As service providers take over day-to-day operations of lottery and gaming, OLG will continue to:

- Conduct and manage gaming in the bundle
- Require compliance with applicable regulations set out by the Alcohol and Gaming Commission of Ontario (AGCO)
- Be the owner of key player information
- Uphold the standards of its Responsible Gambling program through the service provider, including the self-exclusion program
- Distribute Municipality Contribution Agreement payments to host communities.

Once modernization is fully implemented, it will provide additional revenue to the Province to support vital services Ontarians rely on, like health care and education. At the same time, Ontario will continue to be a North American leader in responsible gambling, supporting the research, prevention and treatment of problem gambling.

## ***OLG's Gaming Procurement Process***

Modernization is a significant transformation of a government agency. The plan is ambitious and complex, and modernization is continuing.

OLG's modernization procurement process will lead to long-term contracts with service providers. OLG needs to ensure proper due diligence in order to select service providers from among the best and most qualified proponents.

Since its initial launch, modernization has evolved in response to further consultation with industry experts through the Request for Information (RFI) and Request for Pre-Qualification (RFPQ) processes, collaboration with municipalities across Ontario and public policy adjustments.

OLG has made significant progress by:

- Completing an RFI process for lottery and land-based gaming
- Completing an RFPQ process for lottery and is in the final stages of the RFPQ process for land-based gaming
- Successfully procuring a service provider for iGaming and launching PlayOLG
- Launching the revitalization of charitable gaming
- Launching the Request for Proposals (RFP) process for gaming and for lottery — all while continuing to deliver consistent annual revenue to government and communities.

### ***What is a Request for Pre-Qualification (RFPQ)?***

RFPQs help OLG determine the skills and abilities of potential service providers.

Interested proponents are asked to submit information on their financial and technical attributes and capabilities, including proof of successful experience with similar projects. In addition, the proponents must provide information on business and other relationships that they have had with First Nations and First Nations communities.

Interested proponents must also have submitted an application for registration with the AGCO.

The RFPQ process results in OLG identifying qualified proponents eligible to receive the RFP documents—the next step in OLG's procurement process.

### ***What is a Request for Proposal (RFP)?***

In the RFP stage, pre-qualified proponents are invited to bid on a specific product or service through a competitive and transparent procurement process. RFPs are only distributed to the proponents that are pre-qualified during the RFPQ stage.

The RFP process resulted in OLG selecting Ontario Gaming East LP as the service provider for the East Gaming Bundle, subject to customary closing conditions and pending the execution of the COSA.

## ***What are Gaming Zones?***

In order to effectively manage the gaming market in Ontario, OLG identified Gaming Zones where existing or new gaming facilities would be permitted, subject to municipal and provincial government approvals.

Gaming Zones are geographic areas where qualified service providers will be permitted to operate a single gaming facility. The design of these Gaming Zones is intended to manage competition between facilities and ensure a sustainable and efficient gaming market in Ontario.

The boundaries of Gaming Zones across the province were determined by a gravity model—a business tool commonly used for modeling supply and demand within a given geographic area. The model looked at a number of factors to determine where there is maximum customer demand for a gaming facility, including:

- Proximity of a gaming site to other gaming facilities
- Proximity of a gaming site to current and potential customers
- Distance a customer is willing to travel to reach a gaming site

Within each Gaming Zone, service providers will be permitted to operate and possibly expand the existing facility, establish a new facility if one does not currently exist, or relocate the existing facility within the boundaries of the Gaming Zone, all subject to approvals.

Only one gaming facility is permitted within each zone.

## ***What are Gaming Bundles?***

To enable OLG to more effectively manage the gaming market in Ontario, OLG grouped some Gaming Zones into Gaming Bundles—each representing a separate bidding opportunity.

As a result, for some gaming RFPQs, service providers have been asked to demonstrate their ability to operate multiple facilities in a given region or geographic area of the province.

Gaming Bundles are intended to create opportunities for service providers to be more efficient by operating multiple facilities in a given region. Gaming Bundles will not result in the merging of current or proposed facilities, or of proposed Gaming Zones.

There are seven Gaming Bundles in Ontario: Ottawa Area, East Gaming Bundle, North Gaming Bundle, Southwest Gaming Bundle, West GTA Gaming Bundle, Central Gaming Bundle, GTA Gaming Bundle.

## ***What are the next steps for the remaining Gaming Bundles?***

OLG expects to release RFPs for additional Gaming Bundles in the coming months.

OLG is taking what it has learned through the East Gaming Bundle procurement process and applying it to the remaining Gaming Bundles.

Interested service providers who pre-qualified through the RFPQ process will be invited to participate in the RFP stage of the procurement process. The successful service provider for the applicable Gaming Bundle will be selected from this group.

### ***Municipal Choice and OLG's Modernization***

Municipal choice is an important element of OLG's modernization. OLG will only locate gaming facilities where there is municipal support to do so. OLG has always been clear that it will respect a municipality's decision regarding hosting an existing gaming site, a new site or expanding an existing one.

When it comes to gaming facilities, OLG's approach to potential and current host municipalities across Ontario has been consistent. That approach has three steps:

1. Municipalities must pass a resolution confirming their interest in hosting a gaming facility.
2. OLG then chooses a service provider through a fair and competitive procurement process.

Where a municipality has included conditions as part of its resolution for gaming in its community, such as restrictions on the movement or expansion of a gaming site, OLG will ensure service providers are aware of such conditions during the RFP phase of the procurement process.

3. OLG then works with the municipality and the selected service provider to determine the location of a new site, if one is proposed.

As has always been the case, adding table games at a gaming site that currently has none, relocating a current gaming site or building a new gaming site can only occur where there is municipal consent and a viable business case put forth by a service provider, which is subsequently approved by OLG.

Any new facility, introduction of table games at a gaming site that currently has none, or the proposed relocation of an existing gaming site, is subject to final approval from the Ontario government.

### ***Horse Racing Integration***

OLG is working with the horse racing industry and the Ontario government to build the foundation for a sustainable horse racing industry in Ontario.

Integration is part of modernization and is included in OLG's mandate from the Ontario government.

In February 2015, OLG participated in a horse racing stakeholder meeting hosted by the Ministry of Finance during which all parties restated their commitment to integration. Since then, meetings have been taking place regularly to deepen the relationships between OLG and the industry while beginning to build a collaborative plan for integration.

OLG is working with the industry to:

- Create a business model for integration that is focused on stability
- Provide advice to the government and supporting future legislative changes
- Partner with the industry to optimize branding and build public awareness about horse racing
- Develop, review and assess new horse-themed lottery and gaming products

OLG is also providing provincial support by sharing its expertise and helping to direct the industry to adopt a Responsible Gambling program and has hired a senior vice president to lead horse racing integration.

Ensuring a strong future for horse racing is a priority for OLG and a key part of modernization. For the first time, representatives from the horse racing industry, the Government of Ontario and Crown agencies are working together in support of a sustainable industry.

As the racetrack operator of Georgian Downs and Flamboro Downs since 2005 and a member of the Standardbred Alliance, Great Canadian Gaming Corporation will continue to work with the horse racing industry and OLG on integration.

### ***Future of OLG Gaming Sites at Racetracks***

OLG continues to work closely with racetracks to finalize lease agreements.

OLG has recently finalized two long-term leases with Woodbine Entertainment Group for Woodbine Racetrack. Woodbine is the largest racetrack in Ontario with the busiest gaming floor in the province.

### ***OLG's Conduct and Manage Role***

OLG will continue its role in the conduct and management of gaming in Ontario.

To fulfill this role, OLG will retain control over lottery and gaming, but will expect service providers to deliver many of the services related to the day-to-day operation of lottery and gaming.

### ***World's Best Responsible Gambling Program***

OLG will continue to work within the Province's overall problem gambling strategy to contribute to the prevention and mitigation of problem gambling through its Responsible Gambling program, which was ranked number one in the world by the World Lottery Association in 2014.

OLG will also require service providers to follow the Responsible Gambling Standards that OLG has developed.

### ***Ensuring a Competitive Procurement Process***

OLG is following the Ontario government's procurement guidelines to ensure that its process is fair and competitive.

OLG has engaged an impartial Fairness Monitor throughout the process to provide oversight on the integrity and fairness of its procurement process.

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