

# **MPUMALANGA GAMING BOARD**



## **APPLICATIONS FOR GAMING MACHINE OPERATOR LICENCE**



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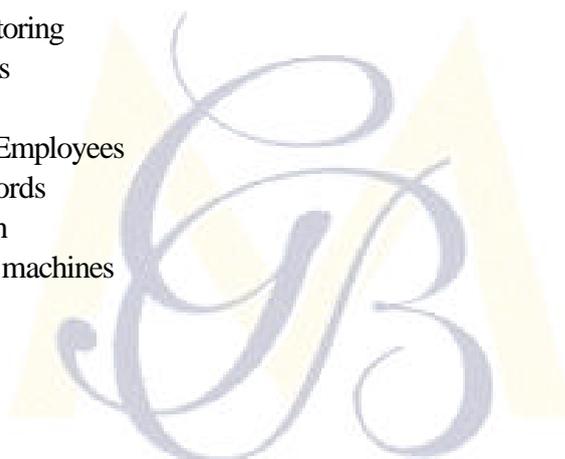
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## DEFINITIONS

In this request for applications, including the appendices thereto, unless the content indicates otherwise:

**the Act** means the Mpumalanga Gaming Act, 1995 (Act No. 5 of 1995), as amended;

**applicant** means a person who has lodged an application for a route operator licence, pursuant to this RFA, as contemplated in section 24 read with sections 23 and 30 of the Act;

**the Board** means the Mpumalanga Gaming Board, established in terms of section 2 of the Act;

**person** shall include a natural as well as a juristic person;

**Province** means the Mpumalanga Province;

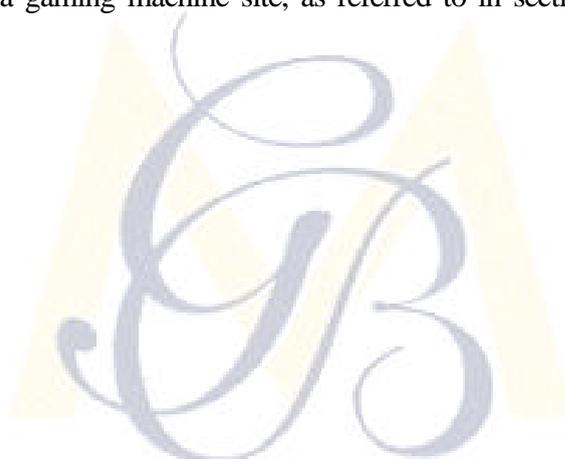
**registrant** Means, any person who has registered his intent to apply for a route operator licence, pursuant to this RFA, but who has not yet lodged an application for such licence;

**regulation** means a regulation published in the Province of Mpumalanga Provincial Gazette Extraordinary No. 178 dated 23 August 1996, which may be amended from time to time, and which was made in terms of section 85 of the Act;

**route operator** means a gaming machine operator as referred to in section 30, read with section 23 of the Act;

**rules** Means a rule made by the Board in terms of section 84 of the Act, which rules were published in the Province of Mpumalanga Provincial Gazette Extraordinary, No. 265 dated 23 August 1997, and may be amended from time to time;

**site** Means a gaming machine site, as referred to in section 31 of the Act.



## 1. BACKGROUND

### 1.1 Introduction

Gaming was introduced in the Mpumalanga Province in terms of the Act, 1995; the Regulations, as well as the Rules, with a view to achieve the following objectives:

- a) To enhance economic growth and development in the Mpumalanga Province through the stimulation of the tourism sector, the creation of tourism infrastructure and the creation of employment opportunities within, inter alia, the tourism sector.
- b) To uplift, advance and economically empower, historically disadvantaged communities; and
- c) to generate additional fiscal revenues for the Province.

Following from the above, the Mpumalanga Province regards gaming as a means towards an end, and not an end in itself. In this regard, gaming is seen as an important vehicle to achieve economic growth and development within the Mpumalanga Province.

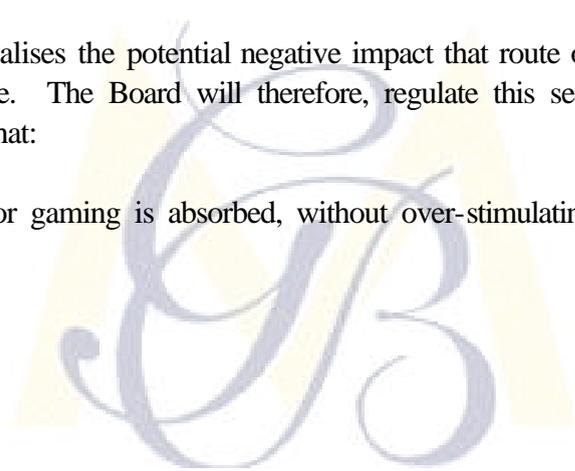
### 1.2 Objectives of licensing Route Operators

Following from the above objectives, the Board realises that route operations, on its own, will not fully accomplish the above stated objectives set for the introduction of legal gaming in the Mpumalanga Province. Route operations are seen as supplementary to casinos in achieving the above objectives. Although route operations will contribute minimally to the development of new infrastructure and tourist facilities, it can play a meaningful role to support and develop existing and new entertainment and recreational facilities throughout the Province.

Simultaneously, route operations, could create opportunities for the direct involvement of small and medium size entrepreneurs within the gaming industry and will provide employment and entrepreneurial opportunities for all the people of the Province. In addition, route operations could also play a major role in satisfying the gaming needs of the people of the Province, in that it will have a much wider distribution throughout the Province.

The Board, also realises the potential negative impact that route operations may have within the Province. The Board will therefore, regulate this section of the gaming industry to ensure that:

- a) The demand for gaming is absorbed, without over-stimulating the latent demand therefore;



- b) gaming at licenced sites will remain a secondary activity to the main form of entertainment or business provided at such a site;
- c) minors are prohibited from participating in gaming activities;
- d) the number of machines per site and the maximum prize and bet size, are controlled; and
- e) gaming taxes and levies are regularly paid.

### 1.3 Purpose of request for application (RFA)

The purpose of this RFA is to furnish all prospective applicants for route licences with a clear indication of the underlying principles applicable to the licensing of routes and sites, as well as the process and criteria applicable to the licensing of such applicants. Simultaneously, the RFA will provide all applicants with clear guidelines on the information required by the Board, to evaluate all applicants for route licences.



## 2. REQUEST FOR APPLICATIONS

### 2.1 Introduction

In terms of section 30 of the Act, the Board, herewith, invite applications for route operator licences. A route operator licence shall authorise, subject to the provisions of section 31 and any conditions imposed under section 34 of the Act, the operation of any prescribed gaming machine or gaming machines specified in the licence, on the licenced premises of the holder of a gaming machine site licence.

In terms of section 24 of the Act, any person may apply for a route operator licence, subject to the provisions of sub-sections 24(1)(a) and (b) of the Act.

### 2.2 Licensing Process

This request for applications will be published in the Provincial Gazette and the media, by way of a notice, and will also state the evaluation criteria to be applied as well as any other requirements.

An application for a route operator licence, shall in terms of section 24(2)(b)(I) of the Act, be lodged with the Chief Executive Officer, within the time frames determined in paragraph 2.4 of this RFA, and be accompanied by certified copies of the applicant's notice, published in the Provincial Gazette and a newspaper circulating in the area, in which the premises where the gaming is to take place are situated. The application shall, furthermore, contain the information which the Board requires in paragraphs 2.6 and 2.7 of this RFA.

An applicant may, in terms of section 24 and 26A of the Act, in the application concerned, identify any document or information included in the application, which in the opinion of the applicant, is confidential or should for any reason not be disclosed to the public, and show cause why the Board may determine that such document or information should not be open to public inspection.

An application for a licence shall, subject to the provisions of this Act, be considered by the Board, and the Board may, thereafter, refuse or grant the application.

A route operator licence shall, in accordance with section 30 of the Act, not be granted by the Board unless the Board is satisfied that the applicant has appropriate knowledge or experience, or is able to acquire such knowledge and experience, to operate gaming machines and, that the applicant meets the requirements determined in this request.

It is important to note, that this request for applications only apply to route operator licences, and not to gaming machine site licences. The Board will approach the licensing of route operators and gaming machine sites in two separate phases. This implies that,

following the licensing of route operators in the manner determined below, the Board will call for applications in respect of gaming machine site licences.

### 2.3 Evaluation process

Although the licensing of route operators and gaming machine sites will take place in two separate phases, the Board intends to licence route operators in a single phased approach, consisting of the following steps:

- a) Issuing of RFA;
- b) registration of intent to apply;
- c) clarification of request;
- d) submission of application to Board;
- e) public inspection and objection period;
- f) investigations, hearings and/or enquiries; and
- g) final action by the Board in terms of section 24(4) of the Act.

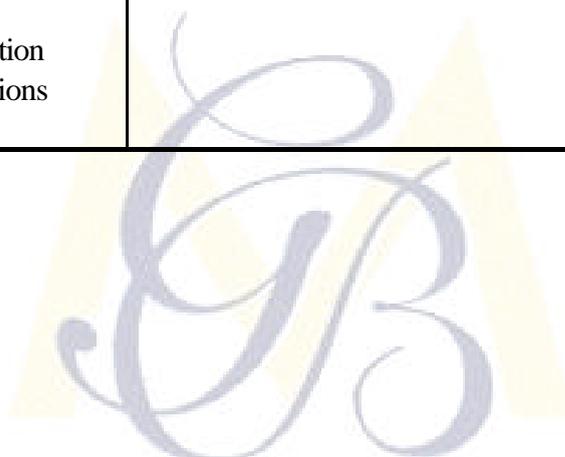
The application process will be a continuous one, implying that a person may, at any time in future, lodge an application with the Board for a route operator licence in terms of this request. However, all persons who will have applied for route operator licences by 11 December 1997, will be evaluated and acted upon simultaneously to minimise the possible development of monopolistic practices.

### 2.4 Time table

The time table outlined below, is applicable only to the timing of the initial application and licensing process. The Board, however, reserves the right to change the time table as and when necessary.

| Items                              | Date |
|------------------------------------|------|
| 1. Issuing of RFA                  |      |
| 2. Registration of intent to apply |      |
| 3. Clarification of RFA            |      |
| 4. Submission of application       |      |
| 5. Objections to applications      |      |
| 6. Replies to objections.          |      |

Note:



1. During the evaluation process, the Board may conduct investigations, hearings or enquiries, in terms of section 20 of the Act;
2. the Board intends to act upon applications for route operator licences, as provided for in section 24(4) of the Act, within the first semester of 1998; and
3. once the successful applicants for route operator licences have been announced, the Board will invite applications for gaming machine site licences, in terms of section 31 of the Mpumalanga Gaming Act.

## 2.5 Criteria applicable to the evaluation of applications

The following criteria will be applicable during the evaluation of applications for route operator licences:

- a) Knowledge and experience of the gaming industry or access thereto;
- b) suitability of source of funding;
- c) suitability of persons, including shareholders, directors and employees;
- d) financial strength of the applicant;
- e) eligibility of all persons in terms of the Act;
- f) financial sustainability of the route operation;
- g) corporate structure;
- h) internal controls;
- i) specifications of electronic monitoring system;
- j) economic and community benefits derived from the route operation;
- k) level of local participation;
- l) the terms and conditions contained in the standard contracts between prospective route operators and the gaming machine site licensees;
- m) entrepreneurial opportunities created by the route operation; and
- n) fiscal benefits to the Board, Province and Central Government.

Although the Board does not expect applicants for route operator licences to submit to the Board, full details in respect of each of the sites on which it intends to conduct its

business. It is expected of the applicant to provide the Board with a business plan, which should, inter alia, include the number of sites, the approximate location of these sites and the number of gaming machines that the applicant intends to place on these sites. It will also be expected of the applicant to submit to the Board its standard contract used for purposes of entering into agreements with site owners.

The business plan referred to above, should serve as a basis for convincing the Board that the applicant possess the necessary knowledge and experience of the gaming industry and is able to source suitable funding, to operate a financially sustainable route operation within the Mpumalanga Province.

## 2.6 Information required by the Board

The information required from an applicant for a route operator licence, consists of the following categories:

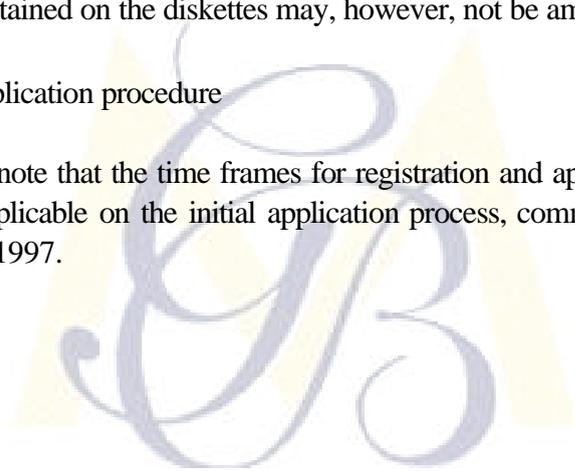
- a) Project details (See appendix A);
- b) Company details (See appendix B);
- c) personal history details (See appendix C);

In providing the information, required by the Board in the above appendices, registrants should note the following:

- a) The Board assumes that applicants are in possession of copies of the Act, Regulations and Rules and, that they have familiarised themselves with each of the provisions contained therein;
- b) failure to provide all the information required by the Board, could result in a delay in the processing of an application;
- c) the Board may deny a licence, if any of the information contained in an application for a route operator licence was false in any material respect, or was subject to omission with the intention to mislead the Board; and
- d) computer diskettes containing the questions and formats contained in the above appendices may be obtained from the Board to facilitate the application process. The format contained on the diskettes may, however, not be amended.

## 2.7 Registration and application procedure

Registrants should note that the time frames for registration and applications, described below, are only applicable on the initial application process, commencing between 08 and 11 December 1997.



A person wishing to register his intent to apply for a route operator licence, should confirm his participation by submitting a signed document in the format provided for in appendix D, in which the terms and conditions of this request are accepted. This document shall be delivered to the Board's offices by no later than 13:00, South African time, on Thursday, 20 November 1997.

Registrants are permitted to seek clarification of the requirements of the RFA until Friday, 28 November 1997. All requests for clarification and responses, shall be in writing.

Registrants must provide proof of payment of the application fees, provided for in Regulation 169, and lodge 3 (three) copies of the application at the offices of the Board, by not later than 13:00 on Thursday, 11 December 1997. All three copies submitted, should be in loose-leaf format. Two copies should contain all information required, while the third copy should only contain the information for public inspection (i.e. excluding the information which the registrant deems confidential), as envisaged in section 26A of the Act, and should be marked "For public inspection only". The application must be in English, prepared in black and white, standard A4 format, and be lodged with:

|                             |    |                   |
|-----------------------------|----|-------------------|
| The Chief Executive Officer |    | Private Bag X9908 |
| The Mpumalanga Gaming Board | OR | White River       |
| First Avenue                |    | 1240              |
| White River, 1240           |    | South Africa      |

### 3. PRINCIPLES APPLICABLE TO ROUTE OPERATIONS

In licensing route operators within the Mpumalanga Province, the Board adopted the following principles:

#### 3.1 Route Operator

The concept of a route operator, results from the fact that it is often regarded as more cost effective for owners of premises on which a relatively small number of gaming machines are operated, not own those machines, but rather to enter into a service agreement with a route operator, who owns the gaming machines. The route operator normally maintains the gaming machines, effects the collection of monies, and pays the taxes due to the Board and Government.

#### 3.2 Maximum number of gaming machines per route operator

The Board does not intend to limit the maximum number of gaming machines per route operator. Based on international experience, and according to industry sources, limiting the number of machines per route will inhibit competition between different route

operators. The Board is of the view that economic and population dynamics in the Province, as well as the number of sites available, will be a natural limiting factor.

Special consideration should be given to section 13(1)(k) of the National Gambling Act, 1996 (Act 33 of 1996), which reads as follows: “*The maximum number of gambling machines, other than gambling machines in casinos, which may be licenced in the Republic or any particular province, shall be prescribed by regulation ...*”. As this regulation has not been promulgated at the date of issuing this RFA, applicants for route operator licences should be aware that the Board might, in terms of the National Gambling Act, be forced to impose a limitation on the number of machines per route operation.

### 3.3 Minimum number of gaming machines per route operator

The Board does not intend to introduce a limit in respect of the minimum number of gaming machines per route operator licence. The Board is convinced, that although it would facilitate the administration and control of routes and sites, the minimum number of gaming machines owned, would be controlled by the economies of scale, dictated by the realities of having to pay licence fees and taxes, as well as the fact that, in terms of the Mpumalanga Gaming Act, all gaming machines operated on gaming machine sites shall be linked to a central monitoring system.

### 3.4 Maximum number of Route Operator Licences within the Province

The Board does not intend to limit the maximum number of route operator licences within the Province. The Board is of the view, that it is not necessary to limit the maximum number of route operator licences within the Province, as the economic realities of having to pay licence fees, taxes, as well as the availability of suitable sites, will be a natural determining factor on the number of entrants into the market.

### 3.5 Corporate Structure

The route operation must be owned and operated by a company or corporation registered in South Africa.

### 3.6 Relationship between the route operator and the gaming machine site licensee

In terms of section 30(3) of the Mpumalanga Gaming Act, provision is made for the holder of a route operator licence to enter into an agreement with the holder of a gaming machine site licence, for the placement of gaming machines on the premises concerned. While the Board would not wish to dictate to prospective route operators and site licensees what the terms of their agreements should be, the Board should be informed of the nature of such agreements, as the Board has a responsibility to monitor agreements, to ensure that monopolistic practices do not arise and, that such agreements are fair to both the route operator and the gaming machine site licensee.

The Board is aware that prospective route operators have, in certain instances, already entered into agreements with prospective gaming machine site licensees. The Board is also mindful that section 30 of the Mpumalanga Gaming Act, specifically states that the holder of a route operator licence, may enter into an agreement with the holder of a gaming machine site licence, for the placement of such gaming machines on the premises concerned.

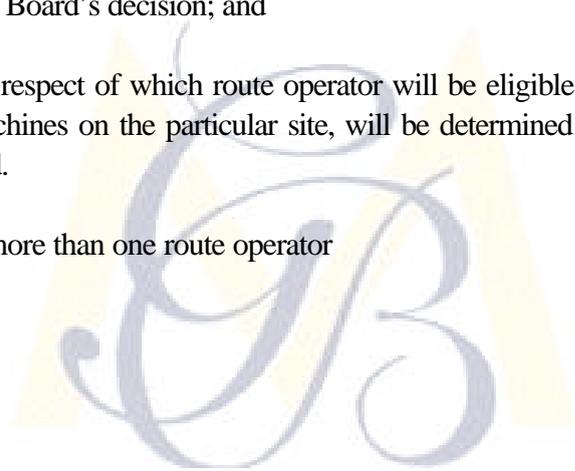
Considering the above, the Board will acknowledge all contracts already entered into between prospective route operators and gaming machine site licensees, subject to the following:

- a) All contracts entered into between prospective route operators and gaming machine site licensees, shall be applicable for a maximum period of three years, from the date of the granting of the gaming machine site licence;
- b) all contracts between prospective route operators and gaming machine site licensees, shall be fair to both parties; and
- c) all contracts entered into between prospective route operators and gaming machine site licensees, shall provide for suspensive conditions, to the effect that the validity of the contract is dependent upon both parties being granted the applicable licence.

The Board is also aware, that certain prospective gaming machine site licensees may have entered into contractual agreements with more than one prospective route operator, which route operators will be allowed to assist site owners in preparing and submitting their applications for gaming machine site licences. In this regard, the Board has determined that, in the event of a gaming machine site licence application being submitted to the Board by more than one route operator, during the application process for gaming machine site licences, the following will apply:

- a) All application fees paid, will not be refundable, in terms of Regulation 197;
- b) all information submitted by different route operators on behalf of a single site owner, will be considered during the evaluation of the application for a gaming machine site licence;
- c) the applicant for the gaming machine site licence, and not the route operator, will be informed of the Board's decision; and
- d) the question in respect of which route operator will be eligible to keep and operate his gaming machines on the particular site, will be determined between the various parties involved.

### 3.7 Financial interest in more than one route operator



Persons will be allowed to have a financial interest in more than one route operator subject to the Board's discretion. The Board will take it upon itself to monitor the acquiring of financial interest in more than one route operator, with a view to ensure that the provisions of section 22(1)(c)(ii) of the Mpumalanga Gaming Act, are complied with.

### 3.8 Financial interest of other gaming licensees in a route operator

In terms of the Mpumalanga Gaming Act, persons holding casino, bingo or manufacturing, maintenance and supplier licences, may acquire a financial interest in a route operator licence. The Board will, however, monitor such interests in order to ensure that section 20(1)(c) of the Act, is complied with.

### 3.9 Offices of route operator

The offices of a route operator, at which the administrative, accounting as well as monitoring and control functions will be conducted, should be based within the Mpumalanga Province.

### 3.10 Gaming machine sites

In terms of the Act, a gaming machine site licence shall authorise the operation and keeping on the licenced premises, or such part of such premises, as specified in the licence, of any prescribed gaming machines or gaming machines specified in the licence.

An excessive proliferation of gaming machines in our society is clearly undesirable. The rights of those who wish to participate in gaming, need to be balanced against the rights of those who are opposed to the presence of gaming machines in everyday life. For these reasons, the Board has decided that only certain venues should qualify for licences, enabling the placement and use of gaming machines thereon and therein. In an attempt to define such sites, the Board agreed on the following principles:

- a) The primary function of the site, must be to provide leisure, recreation and/or entertainment;
- b) the area in which the machines are to be placed, should provide recreation strictly for adults;
- c) the playing of gaming machines on the site, must constitute a secondary form of entertainment to the main form of entertainment and recreation, provided at the site. This principle shall, however, not apply to premises in respect of which a casino

licence, bingo operator licence or a licence to operate a betting outlet has been granted; and

- d) all business conducted on the premises, must be conducted lawfully. This implies, that the site on which the primary business is conducted, should carry the necessary approval for such business to be conducted in a lawful manner.

In determining whether a site qualifies for a gaming machine site licence, the Board will also consider the following:

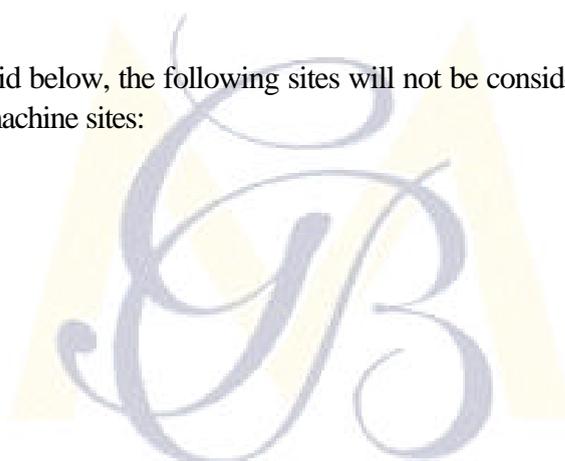
- a) Proximity to other, already licenced sites and premises;
- b) the demand for this form of gaming by the public;
- c) the extent to which the premises are situated in the vicinity of a place of worship, a school or residential area;
- d) the availability of sufficient parking on the site of the business, or street, or both;
- e) the provisions contained in the National Regulations, still to be promulgated, made in terms of section 13(1)(k) of the National Gambling Act, 1996 (Act 33 of 1996); and
- f) any such other factors, which the Board might consider.

Based on the above, the following constitutes a list of typical sites that may qualify to be licenced by the Board, for the keeping and use of gaming machines:

- a) Clubs;
- b) pubs;
- c) shabeens;
- d) taverns;
- e) betting outlets;
- f) licenced bingo premises;
- g) casinos;
- h) hotels;
- i) restaurants; and
- j) such other entertainment, leisure and recreation facilities, as may be determined by the Board.

Subject to what is said below, the following sites will not be considered by the Board for licences as gaming machine sites:

- a) Café;
- b) supermarket;
- c) bottle stores;



- d) general dealers;
- e) video arcades;
- f) fast-food outlets; and
- g) any other area that the Board might not deem appropriate for licensing.

Although the Board does not regard the licensing of the above sites in the interest of the Province, the onus will remain on the applicant to convince the Board, that a particular site qualifies to be licenced as a gaming machine site, specifically, considering the ability to provide entertainment, leisure and recreation facilities.

### 3.11 Standard of gaming machine sites

In considering the licensing of gaming machine sites, the Board will consider the following:

- a) The site must conform to State Health and Safety Regulations;
- b) the layout of the site must prevent any access by minors to the gaming area;
- c) gaming machines must not be visible to the general public, from the outside of the site;
- d) gaming areas within hotels, restaurants or places of entertainment, leisure or recreation, where a liquor licence is not applicable, shall be clearly separated from the rest of the site, on which the primary business is conducted;
- e) signage, advertising the presence of gaming machines, will be permitted subject to the provisions of the Mpumalanga Gaming Act;
- f) adequate security should exist at the site;
- g) the site should be immovable;
- h) the entrance to the gaming areas, should clearly state that persons under the age of 18 years are not allowed;
- i) the interior decoration should be of an acceptable standard; and
- j) the gaming area should not be less than 3m<sup>2</sup> per gaming machine.

### 3.12 Maximum number of gaming machines per site

Subject to a regulation, which may be promulgated in terms of the National Gambling Act, 1996 (Act 33 of 1996), or a policy decision by the National Gambling Board, to be established in terms of the said National Gambling Act, the Board will allow a

maximum number of 5(five) gaming machines per gaming machine site. This principle is in accordance with section 31 of the Mpumalanga Gaming Act.

### 3.13 Stakes and prizes

The maximum amount that may be charged in total, to enable a person to play all pay lines of a game on a gaming machine, shall be R5.00, as prescribed in Regulation 157.

The maximum amount or value of any other prize, which may be paid out in respect of a game played on a gaming machine, shall be R500.00, as provided for in Regulation 158. There are a number of reasons for limiting the payout of gaming machines situated outside of casinos. A limited payout of R500.00 will change the emphasis of the average user of gaming machines from attempting to win large jackpot prizes to participation in a form of entertainment which offers the possibility of receiving monetary prizes.

Furthermore, it is also less likely that the average player of such a gaming machine will risk the whole, or a substantially large portion of his/her income to win R500.00, thus reducing some of the potential of problem gaming in our society.

A double-up option will not be allowed, if the prize to be doubled exceeds R250.00. Progressive jackpots will not be allowed.

### 3.14 Geographic distribution of sites throughout the Province

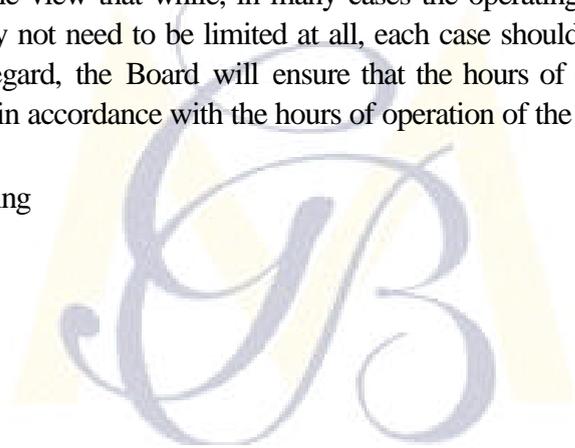
The Board deemed it unwise to attempt control, in any artificial manner, the distribution of gaming machines throughout the Province. The distribution of gaming machines will be a function of population distribution, economies of scale and the limitations placed upon operators by the regulations, as well as the site definition and criteria. The Board is furthermore of the opinion that by identifying sites that comply with the above definition and standards, also taking into account the population distribution of the Province, it will ensure relatively easy access to the public, without necessarily over stimulating the latent demand for gaming in our society.

### 3.15 Operating hours

The hours of operation will form part of the condition of the licence.

The Board is of the view that while, in many cases the operating hours of a licenced establishment, may not need to be limited at all, each case should be dealt with on its merits. In this regard, the Board will ensure that the hours of operation of gaming machine sites, are in accordance with the hours of operation of the primary business.

### 3.16 Electronic monitoring



In terms of section of section 30(4) of the Mpumalanga Gaming Act, the holder of a route operator licence, shall link all gaming machines in respect of which the licence has been granted, to an electronic monitoring system.

The rationale for linking all gaming machines, whether operated as part of a route or on a single site, to an electronic monitoring system, relates to the need for the following:

- a) The accurate determination of gaming machine statistics, turnover and/or revenue, which can be used to ensure that the appropriate taxation payments are made to Government;
- b) to accurately measure the performance of all gaming machines; and
- c) to render support for cashless wagering.

Apart from the advantages of linking gaming machines to an electronic monitoring system, the Board is fully aware of a number of problems in providing such monitoring. In this regard, the Board fully realises the difficulty often experienced by gaming machine manufacturers to implement a new protocol to interface with a monitoring system, the cost of communications network, which can be very substantial, if the only use of the network is for monitoring gaming machines, as well as the cost of electronic monitoring systems, which can often be substantial, when the cost of capital, recurring and operation are considered.

The Board is also mindful of the fact that there are several approaches to the monitoring and control of gaming machines on gaming machine sites. In this regard, the Board has decided not to prescribe the nature of the electronic monitoring system to be used by route operators, except to say that whatever system is used, should comply with the following:

- a) The electronic monitoring and control system, should be linked to the offices of the Board;
- b) each operator will select, purchase and operate the electronic monitoring system of his choice, which shall comply with the minimum specifications of the Board. Each system will be tested by the SABS according to the agreed specifications for certifications;
- c) the electronic monitoring system should at least be of a dial-up nature and shall be linked to the offices of the Board via a modem;
- d) as part of the approval of the electronic monitoring system, the Board will determine the requirements and formats of reports to be submitted to the Board; and
- e) the monitoring system should comply with the provisions of the Act, Regulations and Rules of the Board.

The electronic monitoring and control system required by the Board shall be designed and operated to perform and report functions relating to the following:

- a) Record the number and total number of value of coins/tokens used for play in each gaming machine for the purpose of activating play;
- b) record the number and total number of token/coins deposited in the drop box of each gaming machine;
- c) record the number and value of tokens/coins automatically paid out by each gaming machine;
- d) signature checks;
- e) identify any gaming machines taken off-line or placed on-line of the electronic monitoring system, including date, time and gaming machine identification number;
- f) record such other information as the Board may require; and
- g) should make an electronic collection of gaming levies on a weekly basis if possible; and
- h) the following meters are required at a minimum:
  - i) soft meter, in, out, cash bock and total bill in (by denomination); and
  - ii) hard meter, in, out, cash box and total bill in (according to value).

In respect of points a) to c) above, meters should be available for each game offered for play on the gaming machine. If the games offered for play do not vary in respect of payout percentages, one set of meters would be adequate.

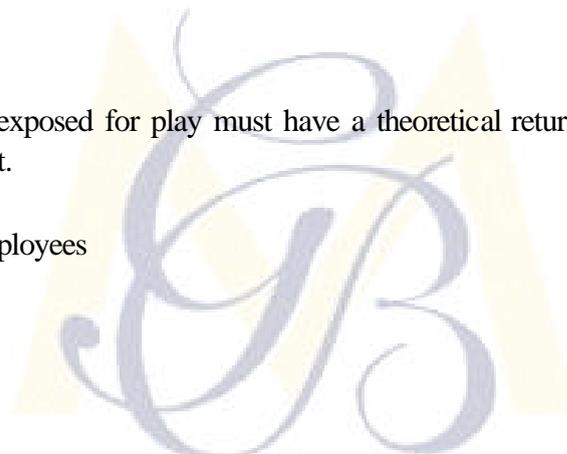
### 3.17 Display of prizes

All winning combinations, together with the corresponding prizes must be clearly displayed or be easily accessible by the player, on every gaming machine exposed for play.

### 3.18 Return to public

Gaming machines exposed for play must have a theoretical return to the public of not less than 75 percent.

### 3.19 Registration of employees



The registration of all employees will take place in accordance with the provisions of Chapter 4 of the Act, together with Regulations 152, 153, 154, 155 and 156. In addition to the definition of a key employee, as contained in Regulation 152, all gaming site licensees and any other person so determined by the Board, will be regarded as key employees and should be registered as such.

### 3.20 Accounting records

Holders of route operator licences and gaming machine site licences, will be expected to keep records and returns, as prescribed in Regulation 162, 163, 164 and 165.

### 3.21 Credit extension

A holder of a route operator licence or a gaming machine site licence, shall not directly or indirectly, extend credit in any form whatsoever to any patron.

### 3.22 Randomness of machine

All machines offered for play shall be purely random. (See SABS specifications 1718)

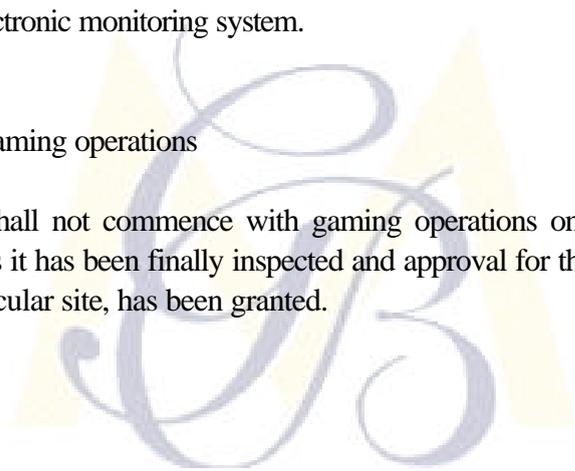
### 3.23 Movement of gaming machines

The route operator should submit as part of the minimum standard of internal control procedures, the following:

- a) Sourcing of machines;
- b) distribution and movement of machines;
- c) machine conversions;
- d) disposal of machines;
- e) collection of levies from sites;
- f) payment methods for levies to the Board; and
- g) operation of electronic monitoring system.

### 3.24 Commencement of gaming operations

A route operator shall not commence with gaming operations on a licenced gaming machine site, unless it has been finally inspected and approval for the commencement of gaming on the particular site, has been granted.



## 4. GENERAL TERMS AND CONDITIONS

### 4.1 Disclaimer

This RFA is not intended to be a recommendation by the Board that a registrant or applicant participates in the licensing process, referred to in this RFA, or otherwise seek to become a licensee of a route operation. The information contained in this RFA is subject to clarification and alteration. Certain statements contained in this RFA reflect various assumptions and expectations by the Board. These assumptions or expectations may, or may not, prove to be valid. Furthermore, this RFA does not purport to contain all the information that a registrant may require in deciding whether or how to participate in the licensing of route operators.

In view of the above, the following principles are applicable:

- a) Each registrant must make his own independent assessment and investigation of the issues required to be dealt with in his application, and should not rely on the adequacy or accuracy of any information in this RFA; and
- b) the Board makes no representation and gives no warrantee, and the Board and its respective officers, employees, agents, consultants and professional advisors, will not be liable in any way as to the contents, validity, accuracy and completeness of, or any errors or omissions in the information or statements contained in this RFA, or in any subsequent material or communication.

Any additional information provided to the registrants by the Board or any of its offices, employees, agents, consultants or professional advisors, in connection with this RFA, will also be governed by the terms of this RFA.

### 4.2 Confidentiality

In terms of section 24(3) of the Mpumalanga Gaming Act, an applicant may in the application concerned, identify any document or information included in the application, which in the opinion of the applicant is confidential or should for any reason not be disclosed to the public and show cause why the Board may determine why such document or information should not be open to public inspection. Applicants are, therefore, required to submit a list containing all information deemed confidential, as well as the reasons why such information should not be disclosed.

In terms of section 26A (2) of the Mpumalanga Gaming Act, the Board may, further, determine that any document or information relating to the financial capacity of any person participating in an application, to the names of prospective employees or the business plans of an applicant, shall not be open to public inspection, providing such document or information can be separated from the remainder of the application and is marked confidential.

The Board may also determine that the identity of any person who lodges an objection to an application, shall not be divulged to any other person.

#### 4.3 Requests for further information and clarification

Registrants may seek clarification of the requirements of this RFA, during office hours (08:00 to 16:30), as provided for in paragraph 2.4 of this RFA. All requests for clarification must be in writing, and may be sent by facsimile. If requests for clarification are raised which, in the opinion of the Board, are relevant to all other registrants, the Board will provide written clarification to all registrants. Requests for clarification should be directed to:

|                             |    |                   |
|-----------------------------|----|-------------------|
| The Chief Executive Officer |    | Private Bag X9908 |
| The Mpumalanga Gaming Board | OR | White River       |
| First Avenue                |    | 1240              |
| White River, 1240nue        |    | South Africa      |

Facsimile: 013-750 8097

The Board may, at any time, request a an applicant to clarify information provided pertaining to this request, or to provide further information. Any information so provided must be in writing and will be deemed to form part of that applicant's application.

If, in the opinion of the Board, an applicant fails to adequately provide information sought by this request, or by a subsequent request by the Board, such failure will be taken into account by the Board in the evaluation process.

#### 4.4 Variations

The Board may, at its discretion, vary, supplement or update any of the contents of this request. It may also vary procedures, time-tables, requirements and any other aspect of, or in connection with the evaluation process, without being obliged to give any reason for doing so.

The Board reserves the right to approve amendments to an applicant's application, subsequent to the receipt thereof. In terms of Regulation 4, an application may, with the approval of the Board, be amended in any respect at any time prior to final action thereon by the Board. Furthermore, any amendment to an application shall have the effect of establishing the date of such amendment as the new date of submission of such application with respect to the time requirements for action on such application.

#### 4.5 Compensation

The Board will not, under any circumstances, be liable to compensate a registrant or any other party for any costs, expenses or losses incurred or suffered by that registrant or

party, in evaluating or acting upon this request, in supplying any information to supplement, update or amend this request, in registering an interest, in submitting an application and/or otherwise participating in any evaluation process.

An applicant must accept any risk of adverse publicity, embarrassment, criticism or financial loss which may result from action with respect to an application and expressly waive any claim for damages against the Board, as a result thereof.

#### 4.6 Rejection

An application for a licence, registration, finding of suitability or approval is seeking the granting of a privilege, and the burden of proving his qualification to receive any licence, registration, finding of suitability or approval shall at all times rest with the applicant.

The Board reserves the right to reject any and all offers for applications at its sole and absolute discretion and to waive any immaterial defect or lack of compliance with any formality in any application or application procedure. Registrants and applicants should understand that the Board also reserves the right to consider any factor, including economic factors, in its selection process.

#### 4.7 Denial, suspension or revocation of licence

The Board may, in terms of the Act, deny, suspend or revoke a licence if any information contained in an application made by a registrant, applicant or licence holder for the purposes of obtaining a licence was, at the time the information was furnished, false in any material respect or was subject to any material omission with the intention of misleading the Board.

