



eCOGRA REPORT ON THE GRAND PRIVÉ AFFILIATE PROGRAM INVESTIGATION

15 February 2010

Following a number of Internet-based allegations concerning the closure of the Grand Privé Affiliate Program ('the Program') on 1 December 2008, eCOGRA's Compliance and Advisory Services department was engaged by the management of the company on 17 November 2009.

Pursuant to an independent and fair resolution of the issues involved, eCOGRA was tasked with:

1. Independently investigating the manner in which the Program was terminated and the reasons therefore;
2. Carrying out a full and independent review of the program software and data to confirm amounts owed to claimants;
3. Determining a fair settlement for claimants, taking into consideration the potential lifetime earnings of each affiliate's respective players; and
4. Compiling a full and transparent report which will be publicly released on conclusion of the investigation.

According to our mandate, the following actions were taken in order to ensure the maximum number of affiliates were afforded the opportunity to submit legitimate and verifiable claims:

1. On 7 December 2009 both eCOGRA and Grand Privé issued widely distributed press releases advising affiliates of the opportunity to submit claims, and also urging affiliate watchdog organisations to assist in ensuring their respective affiliate members were informed of this opportunity;
2. After noting affiliate concerns regarding the limited reach of affiliate representative bodies and webmasters, Grand Privé management expanded the communications exercise by emailing every affiliate who had active players on the Program's records during the 3 months prior to 1 December 2008 when the Program closed; and
3. An online Claim Submission Form for affiliates was made available from 7 to 31 December 2009 and claims were collated by eCOGRA.

Our investigation included confirming the accuracy and completeness of the database list of emails used in the expanded communications exercise in 2. above.

Our findings are as follows:

1. Termination of the Affiliate Program and reasons therefore

Following various meetings with management and an onsite investigation at the Grand Privé operational base during the months of January and February 2010, an inspection of supporting evidence allowed eCOGRA to substantiate that:

- a. For commercial reasons, in August 2008 a decision to close the Program effective 1 December 2008 was taken.

System problems were being experienced on an ongoing basis due to the Program using software in Beta testing. In order to maintain the integrity of the data three permanent employees were required to manage the Program software. In addition the software provider was required to spend an extensive amount of time assisting and troubleshooting ongoing system problems. This resulted in escalating costs, deteriorating service levels and reputational damage.

Due to the high operational overheads and the relatively small portion of income being derived from the affiliate business associated with the Program, losses were incurred by the Program over a period of more than 12 months.

After carefully considering alternative courses of action, management decided to close the Program in order to protect other areas of the organisation from further losses.

- b. All affiliates were informed of the intended closure by email on 7 November 2008 and encouraged to move their accounts and players to the Villa Fortuna Affiliate Program, which used improved affiliate program software. A follow up email with the same message was sent again on 21 November 2008. Termination was conducted according to the termination clauses stipulated in the affiliate contracts.
- c. During November 2008 management entered into mutually agreed compensation arrangements for related future player activity with the majority of affiliates who at that time had players considered to be reasonably active. We have however confirmed that certain affiliates were overlooked in this process.
- d. On 1 December 2008 all affiliates were paid November commissions, and the Program was officially closed.

2. Review of the program software and data to confirm amounts owing to claimants

58 claims were submitted to eCOGRA, of which 7 were found to be invalid¹, and 26 earned commissions during the period 1 December 2008 to 31 December 2009. The following steps were taken by two eCOGRA employees, both qualified Chartered Accountants with substantial industry experience, in order to substantiate amounts owing to claimants during this period:

¹ Utilising all information provided by claimants (Name, Email, Banner Tag, Website, etc.), no records could be found in the Program database.

1. A comprehensive completeness and accuracy audit on the affiliate database provided by the Program was conducted.
2. The relevant claimants' information was located in the database and information used for the linking and tracking of players associated with the claimants was obtained, in part using information supplied in the claim submissions received from affiliates.
3. This information was used to manually source all players linked to the relevant claimants within the casino back office database.
4. The underlying data for the players linked to the relevant claimants was scrutinised to identify players who were still active in the period 1 December 2008 to 31 December 2009.
5. The actual commission amounts per affiliate were then recalculated using the gaming data, from 1 December 2008 to 31 December 2009, for the linked active players.

3. Determination of a fair settlement for claimants

We have been able to accurately calculate the commission accruing to each claimant for the period 1 December 2008 to 31 December 2009.

In order to take into account any potential future earnings, we have added to this amount an additional commission amount for any claimant's players that were active during the 6 month period prior to 31 December 2009. The effect of this is that we have implied an average lifetime value for each of these players of at least 3.5 times the actual² average lifetime of all Grand Privé players.

In our opinion, this is fair and reasonable compensation for the likely future earnings of these players.

We wish to thank all those representing affiliates' interests for their feedback and support throughout the investigation. We would also like to note that the investigation team received the full cooperation of the Grand Privé management.

² The actual average lifetime value of players is confidential information which we are unable to disclose.