

## IN THIS ISSUE:

### 1.2 FUN TECHNOLOGIES LANDS OCTOPI

Toronto-London gaming provider FUN Technologies plc's latest acquisition is mobile game developer Octopi LLC of Tucson.

### 3.6 MILK'S MOBILE MARKETING AHEAD OF THE CURVE

The Dairy Farmers of Canada are taking a change on interactive mobile content with a marketing twist with their new Mobiloke campaign.

### 4.6 SNMDA STARTS UP ANNUAL SYMPOSIUM

Tired of funding cuts and being passed over in favour of old media, the Saskatchewan New Media Developers Association is taking matters into its own hands with a new event starting this spring.

### 5 NMBA REACHES ITS ISUMMIT

Ontario's new media industry association moves from lunch events to a full-fledged three-day conference with *iSummit*.

### 8.7 NEWSMAKERS

A new survey of employment in the arts reveals some interesting facts about artistic expression in Canada's newest territory.

### 8 EDITORIAL

Could 2006 go down as one of the finest years in the annals of new media?

JANUARY 20, 2006

VOLUME 9, ISSUE 1

# FUN Technologies ushers in 2006 with another acquisition

Toronto-founded, London-based skill gaming outfit **FUN Technologies plc** ended 2005 on a high note with a major media holding company bidding for a controlling stake, and that momentum seems to be continuing this year.

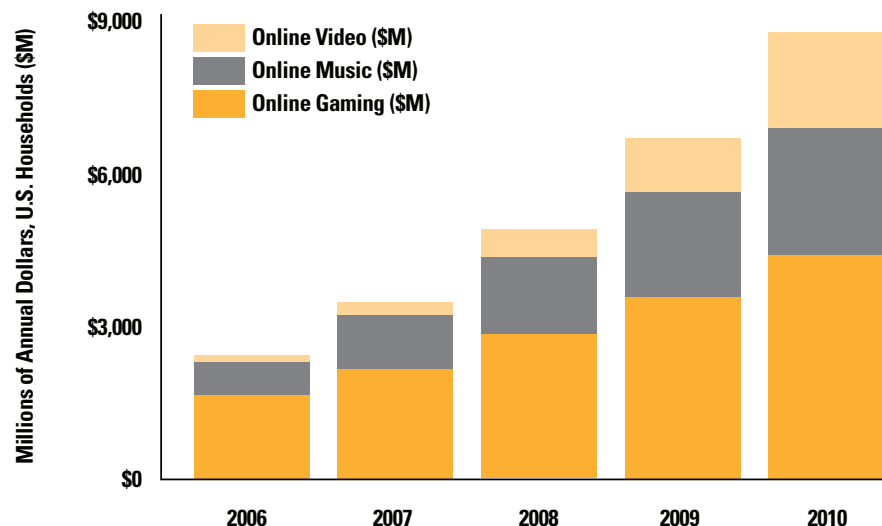
On Jan. 18, FUN tendered a deal worth up to US\$6 million for mobile game developer **Octopi LLC** of Tucson AZ. James Lanthier, CFO for the Canadian firm, says the deal helps take FUN beyond the desktop and traditional Internet. "The Octopi acquisition is a very strategic deal for FUN," he says. With clients including Nokia and

T-Mobile, "what they do for FUN is they really extend our mobile capabilities."

FUN's two operating divisions focus on separate markets. FUN Skill's **SkillJam Technologies Corp.** unit develops and licenses skill-based games such as Zuma and Bejeweled 2 to distribution partners, including **Lycos**, **Virgin Games** and **eBay**, while FUN Fantasy is a fantasy sports brand that operates the Fanball.com site and sports information provider Don Best. Both have some exposure to wireless entertainment channels, but the Octopi deal "brings a very important competency for us into the group," Lanthier says. And while Octopi earned a relatively modest profit of US\$800,000 before taxes last year, "the

FUN Technologies — Continued on page 2

## US Projected Online Paid Content Revenues (US\$ million annually)



Source: Digital Lifestyles: 2006 Outlook  
© 2006 Parks Associates

## PUBLISHED BY DECIMA REPORTS INC.

Decima Reports Inc. is publisher of Canadian NEW MEDIA, Canadian Communications Reports, Report on Wireless, Telemanagement and Network Letter. Decima Reports Inc. is a subsidiary of Decima Research Inc.

## CANADIAN NEW MEDIA EDITOR

James Lewis (jlewis@decima.com)  
Tel: (613) 230-2200, extension 4021

## REPORT ON WIRELESS EDITOR

Perry Hoffman (phoffman@decima.com)

## NETWORK LETTER EDITOR

Perry Hoffman (phoffman@decima.com)

## CANADIAN COMMUNICATIONS REPORTS EDITOR

## TELEMANAGEMENT EDITOR

Stefan Dubowski (sdubowski@decima.com)

## SUBSCRIPTION SERVICES

Carole Jeffrey (cjeffrey@decima.com)

## SALES &amp; MARKETING

Ryan O'Neill (roneill@decima.com)

## EDITORIAL &amp; BUSINESS OFFICES

160 Elgin Street, Suite 1800  
Ottawa, Ontario  
Canada, K2P 2P7  
Tel: (613) 230-1984  
Fax: (613) 230-3793  
Customer Service: cjeffrey@decima.com  
News Releases: newsdesk@decima.com

Canadian NEW MEDIA is published online and in print 24 times annually, with an online CNM UPDATE providing weekly news coverage and occasional breaking news stories.

## Canadian NEW MEDIA Subscription Rates:

Online/Print: \$695/year Canada/U.S.; \$745 elsewhere  
Discounted multiple copy and Web site licence rates upon request.



## MARKET RESEARCH DIVISION

Decima Research Inc.



Bruce Anderson, CEO

Toronto Office  
Dan Kirkland, President  
(416) 962-2013

Ottawa Office  
Mario Mota, Vice-President Broadcast/Media Research  
(613) 230-2013

Montreal Office  
(514) 288-0037

©2006 Decima Reports Inc. All rights reserved.  
This publication may not be reproduced in whole or in part, stored electronically, or forwarded or transmitted electronically without prior written permission from Decima Reports.

## FUN Technologies — Continued from page 1

terms of the acquisition are such that if Octopi grows the way that we think they will...then this is a very good acquisition for us. Even if they don't grow, it's a good acquisition for us," he adds.

One analyst following the company concurs. "Octopi was doing work with Nokia, which is not a bad customer to have," says David Shore, software analyst at **Desjardins Securities** in Toronto. And, he adds, FUN "didn't pay an unreasonable amount of money — they paid about seven-and-a-half times pre-tax profits, which is not a ludicrous multiple."

The company formerly known as CES Software plc initially started by licensing its person-to-person betting platform. In July 2004, it acquired SkillJam for US\$8 million plus a share of European revenue going back to the seller for five years. By the end of the year, the firm was listed on the Toronto Stock Exchange. In the first month of 2005, CES acquired Don Best from Las Vegas-based **Corcom Inc.** for US\$40 million, and in February, the company changed its name to FUN Technologies plc. In the summer, it bought Minneapolis-based Fanball for US\$12 million plus an earn-out based on future earnings.

One of FUN's biggest clients in terms of size is Englewood CO-based **Liberty Media Corp.**, a media holding company controlled by mogul John Malone which also numbers FOX parent **News Corp.** and shopping channel **QVC** among its investments. Earlier this year, FUN created a converged skill-based game for a program called *Lingo* on the **Game Show Network** (GSN), a joint venture between Liberty Media and **Sony Pictures Entertainment**.

"The Liberty and GSN guys are really innovators in participation television," Lanthier says. "The power of bringing broadcast television to the online games world [was something] we really felt right away at SkillJam. Within a very short period of time, GSN was one of our top partners, and the online versions of the GSN games that we built for them like *Lingo* were some of our most popular games."

That success may have been what prompted Liberty Media to take steps toward a more formal relationship with FUN. In November 2005, the media company tendered an offer to acquire a majority interest in FUN. While that deal has yet to be approved by shareholders and regulators in the UK, where FUN is registered, Lanthier says the deal should receive both parties' blessings by its March 8 deadline. "It's a huge endorsement for use and for the games sector," Lanthier says.

Shore agrees with that assessment. "One of the things we've been [saying] around online gaming for a while is, look out for the involvement of large media companies," he says.

Terms such as online gaming are often thrown around freely as euphemisms for Internet casinos and other forms of electronic gambling and wagering. But while many of FUN's games charge a fee and offer a payout for winners, it's the skill-based aspect — as opposed to the chance-based games found at those other pay-for-play online gaming sites — that sets it apart. The company also offers subscription and one-time fee-for-download payment options for many of its games.

"What's attractive about FUN is that skill gaming is expressly legal in 42 US states," Shore says, an important consideration since most of the nearly 10 million players of its games are based in that country. "You can go on SkillJam and use your Visa card, you can use PayPal — you can't do that if you're playing poker online. Once [other large media conglomerates] figure out how to do it without potentially falling afoul of any US [laws], they're going to be there."

As for future plans, Lanthier says the firm plans to capitalize on its new presence in the mobile skill gaming market, but also build on past successes such as the partnership with GSN. "You'll see...us extending the SkillJam into interactive television, kiosk gaming, mobile gaming and the like. And, also expanding beyond just the North American market into the UK and Europe, which we've really begun to [do] in the past few months." ■