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January 21, 2009

Bingo Hall Operators and Hall Charities Associations

Re: **Bingo Revenue Model - Updates**

Over the last few years the AGCO has been fully committed to the implementation of the modernization agenda for charitable gaming, expending both considerable time and resources. As you may recall, the guiding principles of this initiative were:

- Charitable gaming exists to raise funds for charitable activities to be carried out in Ontario by eligible charities at a local community level
- Charitable organizations are largely volunteer based with charitable gaming recognized as a form of fundraising for organizations rather than the focus of their business
- Enhanced flexibility must be balanced by appropriate levels of accountability and trackability
- Gaming products and participants in the sector (charities, suppliers and others) must operate with honesty and integrity and in the public interest
- Success of charitable gaming is dependent upon fair and productive partnerships between all participants in the sector
- Adaptability is necessary in a continually and rapidly changing environment

One of the key initiatives resulting from the modernization agenda was the development of a new revenue model for bingo. With industry support, the AGCO retained the expertise of an independent consultant to provide the best advice on an appropriate model that would better serve the industry. After months of consultation with the industry, a new model was developed and implemented. We had also committed to review the effectiveness of the model after its first year – which we have recently completed. The results of that review included the decision to accept the industry's recommendation to have prize board compliance based on all charitable gaming products and the roll out of additional tools including the new Advertising and Marketing Guidelines.

Key among the features of the new revenue model was adherence by the industry to a maximum 70% prize board. The follow up independent research using detailed data from the sector supports the need to achieve a 70% prize board or lower supporting greater revenues for charities and operators.

Another key objective was providing greater flexibility. The flexibility permitted charities with the advice of hall operators to determine how best to achieve the 70% maximum prize board in their market. A number of tools were made available including flexibility in structuring the game schedule and prize board and increased marketing to develop the

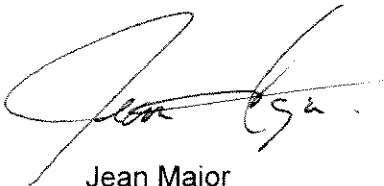
potential player base. Enforcement actions were, therefore, intended to align with this approach. The AGCO decided to take the approach of balancing the support for the industry's Ontario Bingo Development Fund (OBDF) and guiding halls not meeting the 70% requirement into compliance rather than micro-managing the business decisions of charities and operators. These actions manifested in the form of directives requiring payments to the OBDF or administrative sanctions, aimed to drive the industry toward a more profitable and stable position. It now appears this approach to reaching this goal is not achieving the desired results.

On January 16, 2009, I met with Lynn Cassidy (OCGA) and Peter McMahon (CGAO) to discuss this matter. Both Lynn and Peter clearly represented their respective constituent position that the AGCO compliance measures were no longer yielding the desired results in getting the industry toward 70% compliance. As a result, effective immediately, the AGCO is suspending any further compliance measures, both financial and administrative in nature, for halls not achieving the 70% prize board. We will continue to work with the stakeholders through the Strategic Working Group (SWG) to find alternative means of getting the industry to comply with the prize board requirement and thus a more stable and stronger market position. This may include the industry exploring opportunities afforded through the new Advertising and Marketing Guidelines together with the learning as a result of the research being conducted by the Ontario Bingo Development Fund.

Notwithstanding continuing discussions with the SWG on alternative means of moving the industry to a stronger financial position, the AGCO remains committed to achieving compliance with the 70% prize board requirement and will continue to monitor compliance levels and remind charities and operators of the need to do so. The AGCO may utilize various compliance tools at its disposal if particular halls use this reprieve to escalate the prize boards beyond the current levels.

The AGCO remains very committed to doing what it can to assist this industry in competing and thriving. We appreciate your continued input through your associations. At the end of the day, however, any initiatives designed to assist bingo will only be effective with the full cooperation and support of you – our industry partners. A consensus will, therefore, need to be continually forged to advance our shared objectives and I can assure you that the AGCO will do its part to help the industry succeed in that endeavor.

Yours truly,



Jean Major
Chief Executive Officer
and Registrar

c. Municipalities