

The latest information on Ontario Bingo Development Fund

Volume 1, Issue 2
April 2008

This is the second issue of the Ontario Bingo Development Fund (OBDF) industry communication and there has been a high volume of activity since the first issue was sent out in December 2007. This issue will provide you with the highlights of those activities and what to expect in the next couple of months.

1. OBDF incorporation underway

The process to incorporate the OBDF is proceeding with the advice of the Interim Steering Committee's legal counsel, Michael Lipton of Elkind & Lipton LLP. The Interim Steering Committee anticipates that the process will be completed in the next two to three months.

2. OBDF expenditures and implementation of new initiatives on hold

In recent weeks, legal issues associated with the OBDF have been raised by the executive of a bingo sponsor association in the GTA. This group has taken the position that the payment into the OBDF does not constitute a "reasonable and necessary" expense and that the AGCO does not have the authority to compel charities to contribute to the Fund.

The Interim Steering Committee has consulted with its legal counsel (Michael Lipton of Elkind & Lipton, LLP) and with the AGCO. We are confident that the AGCO has acted properly in establishing the Fund. However, the immediate issue relates to whether the Interim Steering Committee should be spending significant amounts of Fund monies on new initiatives at this time without the formal protection and status of incorporation.

At this point, the sponsor association executive is seeking advice from a lawyer but neither they nor the AGCO have taken formal action.

Upon the advice of our legal counsel, the Committee decided at its meeting on April 16 to put all significant expenditures on hold effective immediately until incorporation is completed.

This means that no significant expenditures will occur and no new initiatives will be funded until that time (estimated to be in the two to three months).

In the meantime:

- The OBDF will continue to collect mandatory contributions from hall operators and charities associations and those contributions will be placed by the Steering Committee into short-term, secure, interest bearing investments.
- Expenses incurred by the Committee until incorporation is complete will continue to be deployed in a prudent fashion and thus be kept to a minimum and related to administrative matters only such as legal/incorporation and accounting fees, banking charges, and meeting costs.
- The Interim Steering Committee will continue to work on the shorter-time priority projects that were identified through the strategic business planning process (for more detail, see section 2.2 on the next page).

2. Summary of the Strategic Business Plan

Earlier this spring, the Steering Committee completed the strategic business planning process with the assistance of consultants from Deloitte LLP. The following are major conclusions from the process:

- Solely focusing on experienced or lapsed players is not sustainable for the industry. Revenues from the existing player base have largely been exhausted. It is critical that the industry take a longer-term view to attract new players including the potential need to redefine the bingo delivery model or experience, while doing what it can to maximize the existing player base.
- The industry has to get a very clear sense of what existing and new players are truly looking for, including the likelihood that new players may require a fundamentally different approach.

- The OBDF and the industry are currently challenged by the lack of independent high quality, consistent province-wide consumer and market information and analysis. It would be irresponsible to proceed too far down the road of spending the OBDF monies without having a clear picture of the need and opportunities, backed up by high quality, objective, and professional research and analysis.

In terms of moving forward, the plan includes two streams of activity that will proceed simultaneously:

2.1 First Priority Projects:

- This stream reflects the Interim Steering Committee's awareness that there is an immediate need with the industry for action in support of local halls.
- It will involve the development of shorter term (i.e. in the next six months) initiatives with a strong local-hall promotional focus.
- The idea is that these are initiatives that can be "brought to market" quickly and provide a boost to local halls at least in the short term.
- One of the initiatives being investigated by the Committee is a high profile, high-stakes, province-wide bingo game, which would include a significant promotional campaign. This initiative is headed by an Interim Steering Committee member – Mr. Cam Johnstone – who has already engaged various hall operators in initial discussions on ideas and methods of delivery.

2.2 Consumer and Market Research:

- This stream involves undertaking comprehensive major consumer and market research, province-wide and broken down by major local markets, including an understanding of why some customers have stopped playing bingo, new demographics that could be introduced to bingo, and 'gaps' in the current industry offering, i.e. the current offering vs. what existing and new players expect.
- This information and analysis will give the OBDF and the industry a solid foundation for developing medium and longer-term initiatives. It will also serve to inform our partners in the AGCO and municipalities as policy decisions are made in relation to charitable bingo.
- The research is also very important in terms of the ability to make informed decisions about how to spend OBDF funds in the medium and longer term to ensure the best possible outcomes for the industry.

3. Other recent OBDF activities

3.2 OBDF Resourcing Support

The Steering Committee had retained the services of marketing and promotion consultants from Hill & Knowlton Canada (H&K) to assist in:

- The concrete development of the shorter-term priority projects that were identified through the strategic planning process, including investigating the province-wide, high-stakes bingo game.
- Holding a competition to select a top-quality consumer and market research firm and in managing that project over the next two to three months.

The H&K consultants were brought on board in early March but have since been put on hold until OBDF incorporation is complete.

4. Status of Fund Revenues and Expenses

As of March 31, 2008, the OBDF has received \$2.17 million in contributions (upon which an additional \$7,000 in interest has been received) since May 1, 2007.

Total expenses to date have been \$65,300. Included in this figure are:

- \$37,000 for consultant support to the development of the strategic business plan, as well as to the set up the OBDF's mission, mandate, governance structure, and operating procedures.
- \$13,250 in legal expense related to incorporation.
- \$12,400 in consulting fees to Hill & Knowlton Canada for their staff support work (now on hold) related to developing the *priority projects* and getting the research project underway.
- \$2,400 in other administrative expenses, including bookkeeping, courier/postage, bank charges, and office supplies.

The Members of the Interim Steering Committee do not receive any payments in their role as members of the Committee on a voluntary basis.

5. What we are working on now

In addition to continuing with incorporation, the focus of the Interim Steering Committee for the next two to three months will be on development of the shorter-term priorities, including further investigation of the provincial, high stakes bingo game by the Steering Committee. In doing so, however, the Committee recognizes that there is only so far that the Committee can go with the development of an initiative of this size and cost without being able to retain the expertise of professional event planning and advertising/promotion firms.

The Steering Committee will also further develop the outline of direction, breadth, and expectations for the consumer and market research project, both quantitative and qualitative. This will be a preliminary step recognizing that the selection of a research firm and initiating the project will not proceed until incorporation is completed.

Once incorporation is completed, the priorities for the Interim Steering Committee will be:

- Moving very quickly to take the shorter-term priority projects to the next stage of development and execution.
- Getting the process underway to establish appoint and elect the first official Board of Directors of the OBDF, including developing and implementing the process for elections for Board members from the hall operator and hall charities association communities.
- Developing the infrastructure that will be necessary to support the OBDF on a go-forward basis, including addressing the need for on-going staffing and a web site for the purposes of communicating to the members and the public.

6. Thanks to Binod Singh

Binod Singh, one of the founding members of the Interim Steering Committee, and President of Hideaway Bingo in Whitby, recently tendered his resignation from the Interim Steering Committee for personal business reasons. In light of Binod's decision, the Interim Steering Committee has decided to wait until incorporation is completed before filling the position.

The members of the Interim Steering Committee wish to express their thanks publicly to Binod for his excellent contribution to the OBDF.

Questions?

If you have questions about the OBDF, please feel free to contact Peter McMahon, the Chair of the Interim Steering Committee at 416-245-6365 or by email at nesbitt.s@sympatico.ca