
INFORMATION BULLETIN No. 65

Regulatory Changes Affecting Break Open Ticket Sales Through Registered Break Open Ticket Sellers (in Third Party Locations) and Premises Owned by the Licensee

As part of the on-going Modernization of Charitable Gaming initiative, the Registrar of Alcohol and Gaming is pleased to announce the development and implementation of a new revenue model for Break Open Ticket (BOT) sales through registered Break Open Ticket Sellers (in 3rd party retail locations) and premises owned by the licensee, effective September 8, 2010.

The new revenue model will be one where expense maximums are based on win (gross wager minus prizes paid). Expense maximums are established by the Registrar and prescribe the maximum amount charities may compensate parties assisting with the sale of BOTs for the products and services they provide to the licensee.

The change to a revenue model based on win requires amendments to the *Registrar's Schedule of Approved Break Open Ticket Types and Associated Expense Maximums*. With a revenue model based on win the expense maximums are consistent across all ticket types. As a result the *Registrar's Schedule of Approved Break Open Ticket Types and Associated Expense Maximums* lists the approved ticket types and identifies the set expense maximums that apply to all ticket types. This document has been amended and is attached to this information bulletin.

The new revenue model also reflects a reduction in the amount of the Provincial BOT fee (previously set at 5% of BOT gross wager) paid by licensees conducting BOT sales through registered break open ticket sellers in third party locations and premises owned by the licensee. This reduction is being implemented to assist the BOT industry to develop greater economic viability and growth. The fee will be reduced from 5% of gross wager to 4.46% of gross wager.

The reduction in the provincial fee is effective retroactive to July 1, 2010. Details on the transition to the new revenue model are attached to this information bulletin.

If you have any questions or require further clarification please contact Rusty Parr, Gaming Registration Officer at 416-314-0539 or our toll-free line at 1-800-522-2876.

Schedule of Approved Break Open Ticket Types and Associated Expense Maximums:

The new revenue model for BOT lotteries conducted through registered break open ticket sellers in third party retail locations and premises owned by the licensee is accompanied by a new schedule of associated expense maximums. This new schedule (see following) provides a standardized set of expense maximums for all approved Break Open Ticket types, which differs from the previous schedule which prescribed different expense maximums for each Break Open Ticket type. Industry stakeholders are reminded that the new schedule applies to all approved ticket types and the percentages outlined are based on win (gross wager minus prizes paid).

Break Open Ticket Sales Venue	Total Maximum Expense (% of Win)
Licensee's Own Location	31.25%
Licensee's Own Location with Dispenser	35.25%
For Break Open Tickets sold through a break open ticket seller (3rd party retailer)	
Gaming Equipment Supplier	14%
Gaming Services Supplier	12.75%
Break Open Ticket Seller	20.75%
Charity Administration Fee	0.75%
Dispenser	4%

**Further Information for Information Bulletin Number 65
Regulatory Changes Affecting Break Open Ticket Sales
Through Registered Break Open Ticket Sellers (in Third Party
Locations) and Premises Owned by the Licensee**

Contracts Associated with the New Revenue Model with Expense Maximums Based on Percentage of Win

There will be a period of transition for licensees, gaming equipment suppliers, gaming services suppliers, and break open ticket sellers to move to the new revenue model that is based on maximum percentages of win. The supply of product and services to a licensee and sales through a break open ticket seller on behalf of that licensee (at either a third party location or premises owned by the licensee) require that a contract be in place outlining the compensation that has been agreed upon. In order to move to the new revenue model new contracts must be established.

Existing contracts with compensation within the maximums based on gross wager will remain in effect until those contracts have been renegotiated and signed by the licensee or until those contracts expire. Any new contracts signed after September 8, 2010 must be consistent with the new revenue model with maximum compensation rates based on percentages of win.

There will be a period of transition where contracts established under the old revenue model are in existence in the marketplace as well as contracts established under the new revenue model.

Reduction of the Provincial Break Open Ticket Fee

The change to the provincial break open ticket fee is effective July 1, 2010. This applies to any product that was shipped from a break open ticket manufacturer on or after July 1, 2010.

With the reduction in the fee being retroactive there is a need to have any payments of the provincial fee that have been made for product shipped after that date at the rate of 5% to be refunded in part. This requires Break Open Ticket manufacturers and/or Gaming Equipment Suppliers (GES) to refund a portion of the Provincial BOT fee back to the party they received the fee payment from, either the GES or the licensee. A refund to the licensee will be required for any monies that have been remitted by the licensee either to the GES or the Manufacturer for any product shipped to the licensee from July 1, 2010 forward to the effective date of this information bulletin. The amount to be refunded is the difference between the old (5%) and new (4.46%) amounts for the provincial BOT fee. This is calculated at 0.54% of gross wager. The following details how the refunds are to be facilitated, depending on the manner in which the funds were originally remitted:

1. Where the licensee has remitted funds to the Gaming Equipment Supplier – the GES must refund the appropriate amount (0.54% of gross wager) back to the licensee within 15 days of the issue date of this information bulletin
2. Where the GES has remitted funds to the manufacturer – the manufacturer must refund the appropriate amount (0.54% of gross wager) back to the GES within 15 days of the issue date of this information bulletin and then the GES must immediately refund that amount back to the licensee
3. Where the licensee has remitted funds directly to the manufacturer – the manufacturer must refund the appropriate amount (0.54% of gross wager) back to the licensee within 15 days of the issue date of this information bulletin.

Please note that for accountability and tracking purposes, the refund of any monies associated with the Provincial Break Open Ticket Fee must follow the same process in reverse as they were remitted.



Clarification Regarding AGCO Information Bulletin 65

Regulatory Changes Affecting Break Open Ticket Sales Through Registered Break Open Ticket Sellers (in Third Party Locations) and Premises Owned by the Licensee

On September 8, 2010, the Registrar of Alcohol and Gaming announced regulatory changes affecting the Bingo and Break Open Ticket revenue models. The changes affecting registered break open ticket sales in third party locations and premises owned by the licensee are:

1. The introduction of a new revenue model for Break Open Tickets based on win
2. The development of a standardized Schedule of Approved Break Open Ticket Types and Associated Expense Maximums, and
3. A reduction of the 5% Provincial BOT fee from 5% of BOT gross wager to 4.46% of BOT gross wager

Clarification on some of these initiatives has been sought by industry stakeholders. Please see the following for further direction.

Implementation Date for the New Break Open Ticket Revenue Model

Q1: The reduction of the 5% BOT fee was made retroactive to July 1, 2010. Why was the implementation of the new BOT revenue model not made retroactive to that date as well?

A1: The implementation of the new revenue model for Break Open Tickets was made effective September 8, 2010, the date of the announcement. It was necessary to have the effective date for the new revenue model correspond with the announcement as contracts between industry stakeholders were already in place. Those contracts must be respected and cannot be overridden until they are re-negotiated and signed.

Please note there will be a period of transition where some licensees in the marketplace will be continuing with contracts established under the old revenue model while other licensees in the marketplace will be conducting and managing their BOT sales with contracts established under the new revenue model. However, any contracts negotiated and signed after September 8, 2010 must be within the allowable associated expense maximums based on win provided for in the new revenue model.

Transition Details Regarding the Reduction of the 5% Provincial BOT Fee

Q1: The changes to the 5% BOT Fee were made retroactive to July 1, 2010. If product was shipped from the manufacturer prior to that date, but sold after July 1, 2010 does the 5% BOT fee still need to be paid?

A1: For any product shipped from a manufacturer to a licensee's gaming equipment supplier prior to July 1, but not sold by the gaming equipment supplier to the licensee until after that date, the full 5% BOT fee does not apply to those deals of tickets. In those circumstances, the licensee is responsible for paying the 4.46% for those deals of tickets. The licensee's gaming equipment supplier in this circumstance is selling the inventory to the licensee, and the licensee is taking possession of the inventory after July 1, thereby requiring the payment of the BOT fee at the reduced rate of 4.46%.

In the circumstance where the gaming equipment supplier received product from the manufacturer prior to July 1, 2010, but did not sell the product to the licensee until after that date, the gaming equipment supplier will have paid the 5% BOT fee to the manufacturer and the licensee will have likely paid the 5% BOT fee to the gaming equipment supplier. In this circumstance, the gaming equipment supplier will refund the licensee the difference between the 5% BOT fee the licensee paid and the new percentage for the BOT fee (4.46%). The manufacturer will provide the same refund to the gaming equipment supplier.

In order to track that product was shipped by the manufacturer to the gaming equipment supplier prior to July 1, 2010 but sold by the gaming equipment supplier to the licensee after that date, and therefore subject to the reduced 4.46% BOT fee, the gaming equipment supplier is required to provide the manufacturer with an exception report which must include:

- The name of the licensee(s)
- The date the product was shipped, and
- The serial number(s) of the product shipped the licensee(s)

Please note that additional exception reports will be required to be submitted in the same manner for any product that was received by the gaming equipment supplier from the manufacturer prior to July 1, 2010 and subsequently sold by the gaming equipment supplier to the licensee after the filing of the initial exception report. The manufacturer will then file the corresponding exception report(s) with the AGCO at the time they submit their sales report (s) detailing the same information to account for the remittance of the reduced 4.46% BOT fee.

Note:

In the circumstance where product was shipped from a manufacturer to a licensee's gaming equipment supplier prior to July 1, 2010 and was subsequently sold to the licensee prior to that date, then the full 5% BOT fee must be paid on those deals of tickets.