

PUBLIC

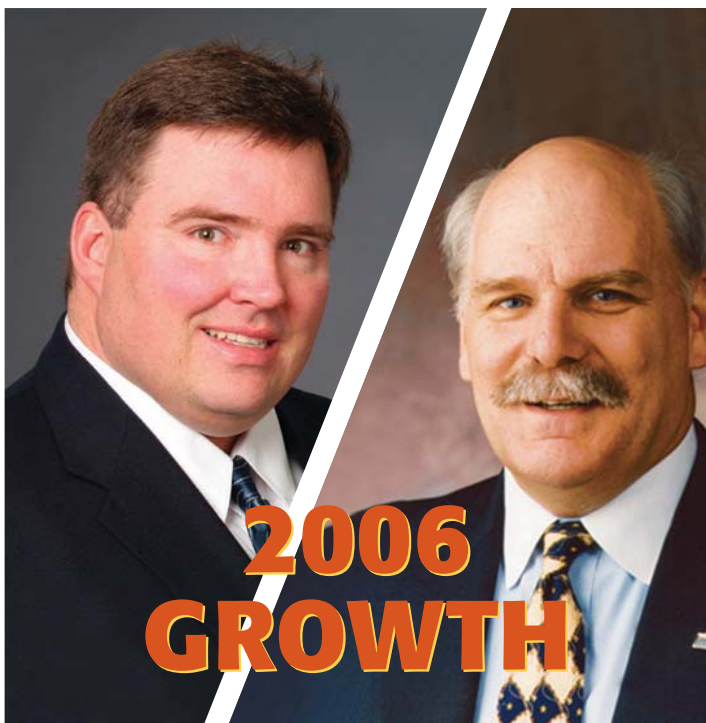
GAMING

I N T E R N A T I O N A L

World's most widely read Lottery-Racino-Gaming magazine • Video, Racino, Casino, Internet, Wireless, Online, Scratch-Off



Building a Better Gaming Machine Program



**2006
GROWTH**

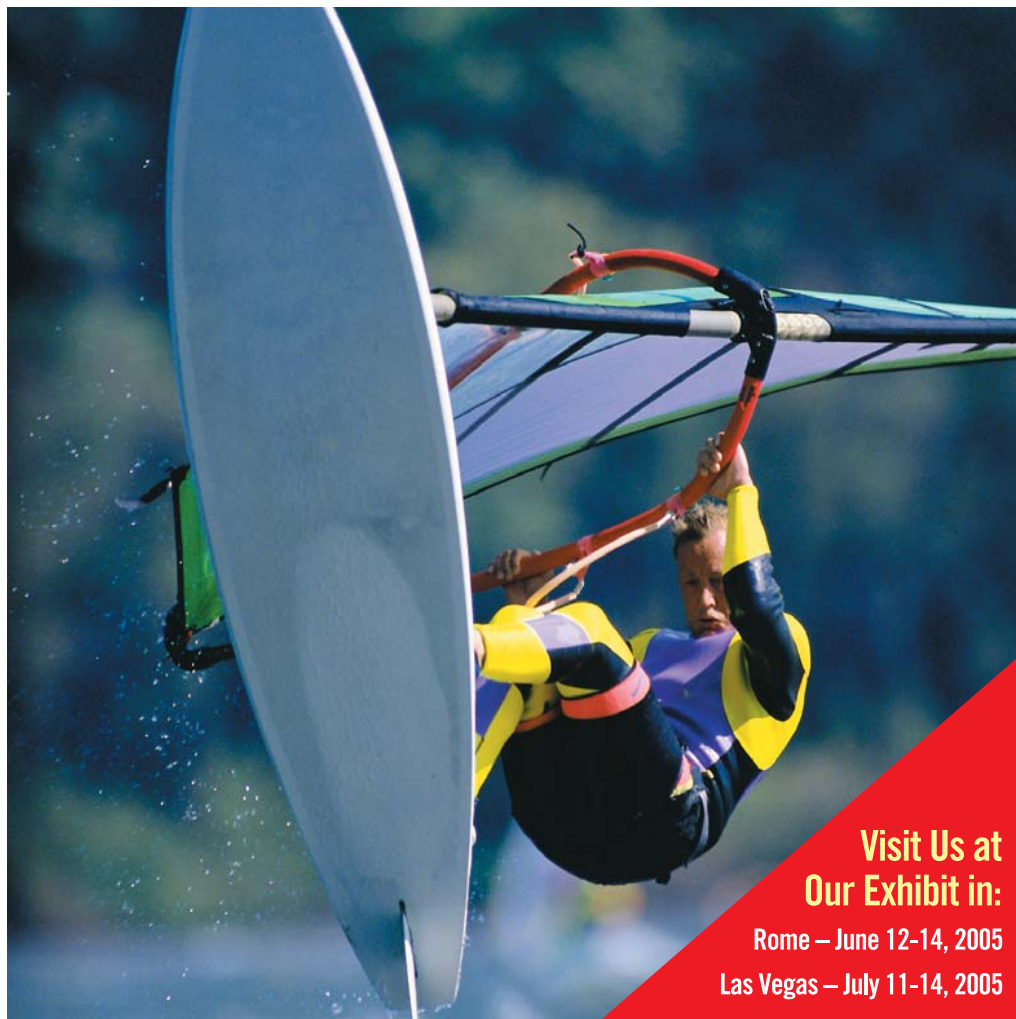
EXPO ILAC

**International Lottery & Gaming EXPO
and ILAC Congress 2005**

Bellagio Hotel, Las Vegas, Nevada

July 11-14, 2005

extreme
creativity



Visit Us at
Our Exhibit in:

Rome – June 12-14, 2005

Las Vegas – July 11-14, 2005

We're Big on Creative

At Creative Games International, we find it rewarding when a customer likes one of our original game concepts. It's even more rewarding when the game performs well in the marketplace. If the concept works, somebody will probably copy it.

Many of our game concepts have become industry standards over the years, including "Pinball Wizard," which we first produced in 1998. Or "All the Marbles," a CGI original produced in 2000 and "Stud Poker," which was developed seven years ago. All these games, and many others, have been produced by ticket suppliers for other customers since CGI first introduced them.

We don't claim to have the market on creativity cornered, by any means. But then again, "creative" is our first name. If you're looking for some, visit our website and then call our sales team.



Creative
Games
International

PROGRESSIVE GAMES ▲

Create some excitement.
Call Christopher Essai – International Sales.
Phil Green – Domestic Sales.

2401 Willamette Drive
Suite 110, Plant City, FL 33566
Phone: (813) 659-4500 x230
Fax: (813) 659-4800

www.creativegames.com

PUBLIC

GAMING

I N T E R N A T I O N A L



On the Cover:
Black Gold Casino, in Hobbs,
New Mexico. Montana Lottery
Director George Parisot and
Kentucky Lottery Corporation
President and CEO, Arch Gleason.

Departments

- Industry News 2
- Around the World 3
- Racino News 22
- Video News 24
- On the internet 25
- People 26
- RoundUp 27



PUBLIC GAMING RESEARCH INSTITUTE, INC.
P R O F E S S I O N A L

Features

- 4 Creating Our Future: Part II – Improving and Enhancing Distribution**
Steve Saferin, president, Scientific Games Ventures delivers part two of a three part series on driving revenue growth.
- 6 A Look Ahead at 2006 Growth**
North American Lottery executives comment on areas of growth for their jurisdictions in 2006.
- 8 Building a Better Gaming Machine Program**
How can legislators and lobbyists who are trying to implement a gaming machine program build that program so as to maximize revenue for the state?
- 11-15 EXPO/ILAC 2005**
- 16 SMART-Idea: Michigan Selling Lottery Media Assets**
The Michigan Lottery will soon start selling ads on Instants and other lottery products.
- 18 VLT Perceptions: An International Lottery Players' Survey**
The Kopel Research Group examines public perception of VLTs in an international survey.
- 20 Online Poker Anyone? Or Online Action Games, Or...?**
A bold move highlights new opportunities for State sponsored gaming.

Public Gaming International is now also available on the web.
www.publicgaming.org

PUBLIC GAMING INTERNATIONAL		ADVERTISING SALES	
PUBLISHER Duane V. Burke EDITOR Todd Koeppen ART DIRECTOR L. Robinson	CEO/CHAIRMAN Duane V. Burke DIRECTOR OF OPERATIONS Susan Jason EXECUTIVE VICE PRESIDENT Doris J. Burke FORMER DIRECTOR Ralph Batch	CIRCULATION Tel: (425) 935-3159 (800) 493-0527 Fax: (206) 232-2564 (800) 657-9340	VICE PRESIDENT OF MARKETING Susan Burke Tel: (425) 985-3159 (800) 493-0527 VICE PRESIDENT OF SALES Raquel Orbeagozo Tel: (425) 765-4119 (800) 493-0527 Fax: (206) 232-2564 (800) 657-9340

Public Gaming International (ISSN-1042-1912) May 2005, Volume 31, No. 5. Published monthly by the Public Gaming Research Institute, Inc., 218 Main Street, #203, Kirkland, WA 98033. (425) 935-3159. ANNUAL SUBSCRIPTION RATES: United States: \$145. Canada & Mexico: \$160(U.S.). All other countries: \$225(U.S.). POSTMASTER: Send address changes to Public Gaming International, 218 Main Street, #203, Kirkland, WA 98033. SUBSCRIPTION REQUESTS: Sent to same address. NOTE: Public Gaming International is distributed by airmail and other expedited delivery to readers around the world. ©2005 All rights reserved. Public Gaming Research Institute.

E-mail: publicgam@aol.com Web site: www.publicgaming.org

Industry News



Massachusetts Chooses Scientific Games for Daily Race Game

Scientific Games was chosen as the vendor to provide a new monitor game to the Massachusetts State Lottery Commission (MSLC). The award is worth an estimated \$3.5 million over the initial term of three years and includes two one-year extension options.

The new monitor game, The Daily Race Game™/Run for the Money, extends the use of state lottery keno networks, which in many cases usually run only one game.

Run For The Money is a broadcast quality, animated horse race game designed to complement keno in the social environment. It provides entertaining winner delivery animation with simple betting and prize structures. Run For The Money features twelve horses in each race with every horse having a chance to win as they sprint out of the turn for the wire. Scientific Games has teamed with TeleCom Game Factory, the original developers of the game, to deliver this exciting product to the MSLC.

JCM Receives Full Gaming-Related Supplier License in Michigan

JCM American has received a full gaming-related supplier license from the Michigan Gaming Control Board. In addition, JCM's parent company, Japan Cash Machine Co., Ltd., and Johto Investment and Development, Inc., were found suitable as entity qualifiers, and the entire board of directors for JCM American and Japan Cash Machine were found suitable as individual qualifiers.

GTECH Acquires Rights to Barbados Lottery

GTECH has entered into an agreement to acquire the operation and management rights of The Barbados Lottery. GTECH will become the exclusive central system and services supplier to The Barbados Lottery, which is now comprised of the Barbados Olympic Association, the Barbados Cricket Association, the Barbados Turf Club, and the National Sports Council, under an 18-year agreement commencing at the closing, which is expected in May 2005.

Presently, GTECH is the technology and services provider for the online lottery games operated by the Barbados Olympic Association. In addition, GTECH's subsidiary, Leeward Islands Lottery Holding Company (LILHCo), provides the equipment for the Barbados Cricket Association's online lottery games. The Barbados Turf Club currently operates its online games using another vendor's equipment.

Under the terms of the 18-year integrated services agreement, GTECH will migrate the online games of all three entities to GTECH's Enterprise Series™ solution, to be operated out of Austin, Texas. GTECH will also provide approximately 250 Altura® terminals and an IP-based wireless communications system will be installed as the interface between the retailers and the central system. GTECH will provide ongoing services to The Barbados Lottery including maintenance of the central system, terminals, and communications network; retailer training; hotline management; and field service.

As the lottery operator, GTECH will also be responsible for lottery marketing, including advertising and promotions; draw shows; game portfolio management; and auditing. With respect to its integrated services agreement with The Barbados Lottery, GTECH expects to generate revenues of approximately \$80 million to \$100

million over the 18-year term.

Macedonia Selects Intralot

Greek lottery systems developer and operator INTRALOT has signed a six-year contract to organize, operate and manage fixed-odds betting games in Macedonia. INTRALOT will select events for betting, set odds, monitor transactions on a real-time basis and manage risk.

Under the contract, signed with the National Lottery Organization of Macedonia, Intralot will be paid a percentage of sales. The company didn't specify the percentage. Intralot already provides Macedonia with an integrated online system for lottery and instant ticket games. The company also expects to assist in expanding the Macedonian Lottery Organization's sales network, which currently has 220 points of sale.

Scientific Games Acquires Remainder of SGLA

Scientific Games Corporation has acquired the 35% of Scientific Games Latin America S.A. that it did not already own for \$19.6 million. Scientific Games had originally acquired 65% of the company, originally known as Serigrafica Chilena S.A., in June of 2002.

GTECH to supply ITVMs to Pennsylvania

GTECH has received an order for 2,400 ITVMs from Scientific Games Corporation, who will, in turn, lease the ITVMs to the Pennsylvania Lottery and provide ongoing services. The new 24-bin Expandable Dispensing System Quad Burster™ (EDS-Q) ITVMs are scheduled for delivery beginning in May of this year. The majority of the 2,400 ITVMs will replace machines already in the field with the remainder being placed in new locations. GTECH expects to receive approximately \$22 million in revenue from the sale of these machines.

OGT Offers Star Wars Tickets

Oberthur Gaming has been chosen to bring the biggest film series of all time to the lottery industry! Under the terms of the agreement, lotteries around the world will be able to feature instant and electronic lottery games with Star Wars characters and famous movie shots, including the soon to be released final movie in the Star Wars saga, Episode III Revenge of the Sith!

With the impending U.S. film release of Revenge of the Sith on May 19, 2005, multiple Lotteries have already committed to launching their own Star Wars instant ticket and/or Cyber Games™ with OGT. The following Lotteries will launch throughout April and May: Golden Casket Lottery Corporation and South Australia Lotteries (Australia), Loterie Nationale (Belgium), Atlantic Lottery Corporation and British Columbia Lottery Corporation (Canada), Provoloto (Mexico), California Lottery and Colorado Lottery (USA).

Win Win to Purchase Pixiem

Win Win Gaming, Inc., a Las Vegas-based operator of international lottery games and related gaming ventures has agreed in principle to acquire Pixiem, Inc., a global developer and publisher of wireless entertainment games. Pixiem develops and publishes mobile applications for the wireless entertainment market in North and South America, Europe, and Asia, and has created top-notch branded mobile games with high-quality content partners that include IMG/TWii and Wimbledon. The agreement in principle is reflected in a non-binding letter of intent. The acquisition is subject to several conditions. ♣



Australia

EssNet has finalized a new contract with Golden Casket Lottery Corporation Limited in Queensland, Australia. Under the terms of the agreement, EssNet will supply an EssNet e-Channel solution for selling lottery products via the Internet. Golden Casket's new "Lotto Direct™" solution will be launched towards the end of 2005, allowing Queenslanders to buy entries into popular lottery games such as Gold Lotto, Powerball and Oz Lotto on the Internet.

Barbados

Barbados now has a new unified lottery after the Barbados Cricket Association Cricket Lottery and the Barbados Lottery decided to merge. The new Barbados Lottery will revamp its portfolio of games to include the twice weekly Mega 6 and Caribbean Lotto; and daily games Double Draw, Hot 5, Pick 4, Pick 3 and Caribbean Keno. Players will also have a variety of new instant scratch games.

Brazil

Carnegie Cooke & Company, Inc. will be applying for Bingo Lotteries at its current and future OTB locations upon completion of the new legislation currently in front of the Brazilian government. Two Constitutional Amendments and two new laws, all presented by Senator Gilberto Miranda, are the new hopes that the Brazilian bingo industry has, to finally get their regulation and be able to operate normally.

The first amendment proposes changing article 22 of the Brazilian Constitution, to allow individual States plus the Federal Government to legislate bingo. Alternatively, Senator Miranda presented a second amendment, touching up the same article and which states that the Federal Government, the States and the Federal District can decide on bingo. The first of the projected laws states very much the same: individual States plus the Federal District could regulate bingos, while the second law is more complex and gives the Federal Government power over bingos.

Finland

The Swedish IT and management consulting group HiQ International AB will team up with GTECH to develop a new integrated gaming platform for the Finnish national lottery operator Veikkaus Oy. The three-year agreement is expected to be worth some SEK160m for HiQ International.

France

On April 14, La Française des Jeux launched Saga Star Wars™. After Saga Star Wars™ (1999), Saga Indiana Jones™ (2000), Saga James Bond 007™ (2002) and Saga Lord of the Rings – The Return of the King™ (2003), Saga is back for the release of Star Wars™ Episode III, Revenge of the Sith which is planned for release on May 18, 2005. Saga is the generic brand of the instant games themed on the movies.

The tickets feature 12 different collectable visuals that recall the main characters of the Star Wars™ trilogy. The tickets are sold separately and cost 2 euros each. Overall odds of winnings a prize are 1 in 4.2. Prize payout returned to players is 58%. Saga Star Wars™ is also available on La Française des Jeux's Internet site <http://www.fdjjeux.com>.

Germany

A German enterprise called FLUXX AG now allows the German national lottery to be played at the supermarket checkout. The company's JAXX Lottoservice allows customers to pay for national lottery coupons on the checkout belt along with the other products. JAXX Lottoservice gives the customer the choice between the self-completed coupon and the quick-tip coupon for 6/49, Spiel 77 and Super 6.

Israel

In 2004 Mifal Hapayis posted its biggest profit in five years. Earnings of

NIS 569 million were 15.4% (NIS 76 million) higher than '03 figures. It was efficiency, rather than revenue gains, that were most responsible for the rise. The Lottery tendered new marketers in order to decrease distribution costs, cut advertising costs and entered into a new collective employment agreement. Revenues rose NIS 40 million, to NIS 3.05 billion in 2004.

Norway

Gaming Laboratories International announced its European office has received an extension of its exclusive testing agreement with the Norwegian Gaming Board. GLI Europe BV has been the sole testing lab for the Board since its inception in 2001, and GLI remains the only test laboratory authorized to test gaming machines in the country.

Peru

Loterias PeruGana, a member of INTRALOT Group signed a contract with the Football Federation of Peru (ADFP) regarding the operation of fixed odds betting games. The contract's duration is 5 years with a renewal option for 2 years. The operation of the fixed odds betting games is expected to commence within 2005.

Football is the most popular sport in the country and the launch of the betting games is expected to capture a significant market share, since it will be the first sports lottery game to be offered in the Peruvian market.

Philippines

Pacific Online Systems Corporation, the operator for the official Philippines lottery in Visayas and Mindanao, has awarded Scientific Games the contract to supply 900 EXTREMA® online lottery terminals and a central system. The seven and a half year contract, which includes maintenance and support, is valued at \$12 million over its initial term and commences in the second half of 2005.

The Philippines Charity Sweepstakes Office (PCSO) has endorsed the release of the performance bond posted by publicly-listed IT firm Diversified Financial Network Inc. (DFNN) that served as guarantee for its delivery of the requirements in the upgrade of the lotto system through wireless protocols. PCSO earlier said that the lotto wireless system upgrade would result in nearly P2 billion a year in additional revenues. The project will also yield substantial cost savings to PCSO.

Singapore

The Singapore government has approved a proposal to legalize casino gambling. Two billion dollar resort casinos, one on Marina Bay and one on the island of Sentosa are expected to benefit from the approval.

Turkey

Turkey's National Sports Lottery "Spor Toto" and the Turkish Football Federation signed an agreement to exchange of information, which aims to strengthen an "open and honest IDDA" (fixed odds betting game). Specifically, Spor Toto will inform the Federation of cases in which unusual betting activity is taking place, in order to track and prevent possible cases of distorted match results. In return, the football Federation will inform Spor Toto of similar circumstances concerning football matches that could affect the smooth operation of betting.

UK

Camelot will be launching a Star Wars Instant after signing an agreement with Lucas Film. The operator of the National Lottery will be backing the ticket with a national advertising campaign. ♦

Creating Our Future: Part II – Improving and Enhancing Distribution

(Part two of a three part series on driving revenue growth)

By Steve Saferin, President, Scientific Games Ventures

Last month I wrote about the challenge our industry faces to continue to develop new content for instant and online games.

Our industry faces a second challenge to future growth. How do we improve and enhance distribution in the existing bricks-and-mortar retail market?

This is an area in which lotteries made great strides in the '80s and '90s, with instant tickets the primary beneficiary. Despite the advances, there's more than ample room for improvement.

To quote Winston Churchill: *"To improve is to change; to be perfect*

is to change often."

The problem is, our industry, of late, hasn't changed often enough to keep pace with the speed and depth of change taking place at the retail level.

To illustrate my point, consider Pennsylvania (and if this doesn't convince you we have work to do in this area then nothing else I can tell you will).

As most of you know, the Pennsylvania Lottery exclusively targets all its proceeds to programs for older residents, including two popular, low-cost prescription drug programs.

Last year, the Lottery wrote a check essentially for \$65 million to senior citizens, who in turn used the money to purchase prescription medicine at CVS and other drug stores throughout Pennsylvania. CVS currently operates 341 pharmacies and is the largest chain in the state, which means they benefit greatly from Lottery proceeds. Despite the millions of lottery dollars that flow through

CVS cash registers, America's number one pharmacy refuses to sell lottery tickets in Pennsylvania.

Their reasons include many of the common complaints I'm sure you've heard. Lottery tickets are not easy to account for. They're difficult to keep secure. Theft is a constant worry. Lottery slows down the lines at checkout, which only frustrates other paying customers. The list goes on and on.

The point is, if you can't get CVS to sell lottery tickets in Pennsylvania – despite receiving Lottery proceeds in excess of \$50 million – then I don't believe we have any other choice but to adjust our strategies. I mean, if we can't get buy-in from a chain that benefits directly and substantially from our efforts, how can we keep doing what we're doing and expect to expand our presence in the broader drug store market, or in the burgeoning hypermarket environment?

How will we attract the supercenters and warehouse membership clubs like Wal-Mart, Sam's Club, K-Mart and Target – all multi-lane environments that represent perhaps our greatest opportunity for expanded distribution in the years ahead?

Again, I go back to the quote I cited last month: *"The best way to predict the future is to create it."*

Right now, you'll see that our industry is doing just that: developing solutions designed to address the retailer concerns of selling our products.

**TAKE CONTROL of
YOUR MESSAGE**



Wireless Data and Display Solutions

Ticker Communications, Inc.
317.466.0411

www.tickercom.com
raymichel@aol.com

There's an article in the December issue of Promo Magazine that talks about how retailers in a variety of distribution channels are aggressively adding interactive technology to in-store point-of-decision kiosks and other displays to allow consumers to sample, for example, the newest music. These mini-kiosks are also being used to provide "how-to" tips for do-it-yourself.

The brand manufacturers are responsible for providing the product content, and for uploading it to the PoD Kiosks via a broadband internet connection.

Some of the new kiosks are Wi-Fi equipped and tap into store-based wireless networks. Usage data is transmitted from a store to brand management. This allows message content to be refined per geographic location.

Supermarkets and big box stores are gravitating to the technology because, by offering this enhanced, in-store experience, they then can use this as "a competitive differentiator."

As you look at our own industry, we've begun to tie-in with this emerging trend.

While we aggressively promote the fact that our new Playcentral kiosk can dispense both Instant and online games, and that it connects to a Lottery's central system to report sales and minimize stock-outs, a more exciting story is yet to be written. That story revolves around Playcentral's interactive capabilities.

Want to incorporate your VIP program into the machine? You'll be able to do that with this machine.

Want to issue a statewide AMBER Alert? How about just to a specific geographic area? No problem.

Get real creative and you can give your players the touchscreen capability to make dinner reservations.

As we push Forward in this area, there will be hiccups along the way, to be sure. Anytime you ask consumers to step out of their comfort zone you can expect some resistance and pushback. But if you look beyond our own industry – to the airline, hotel and supermarket industries, for example – you'll see a world of commerce moving to meet their customers' growing demand for self-service convenience. Virtually all of these industries are using touchscreen technology as the 'forward-thinking' solution.

As we look for ways to expand distribution, there's another challenge our industry must meet, and that is the integration of ticket dispensing with the retailer's cash register. Retailer demands for a solution to this problem have been building for several years.

These demands have only intensified as more and more higher-priced games have entered the marketplace.

If we wish to grow our business over the next decade, these demands can no longer go unmet.

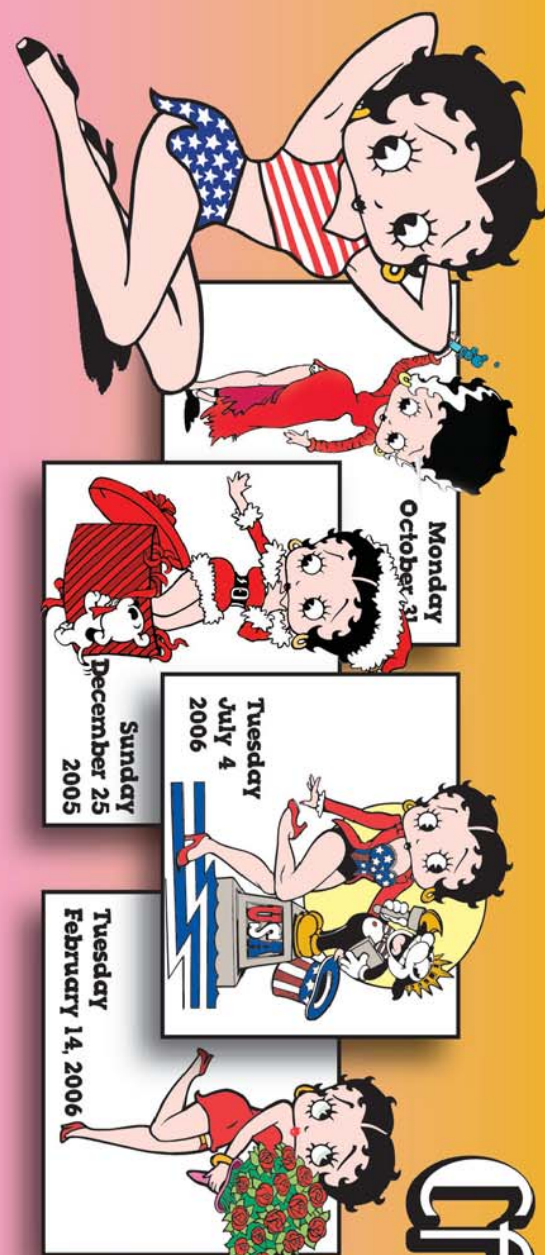
At Scientific Games, we're taking the lead in this area. For the first time in the history of our industry, we have a solution that can integrate ticket dispensing with the retailer's cash register.

We call this new technology ConvenienceCentral. Right now, we're conducting a pilot test of this system in Connecticut. There's a lot to say about this major retail solution (too much to share in this column), but fundamentally it will allow retailers to treat Instant tickets like any other merchandise in their stores, while at the same time making the product more secure.

Both C-Central and PlayCentral are perfect examples of how our industry can "create the future" by recognizing the emerging trends shaping our world, understanding the paths our industry has already walked, and then merging this information to arrive at practical solutions that can open the door to these existing distribution venues. ♣



Steve Saferin, President, Scientific Games Ventures



Want to give players a fresh look on your holiday theme tickets this year? Maybe it's time you discovered licensing's leading lady, BETTY BOOP™. With more than 20 successful lottery games launched in every season, Betty has proven herself to be a player favorite year-round. From valentine hearts & flowers to patriotic red, white and blue and Holiday Santa outfits, BETTY BOOP's massive image library can accommodate every holiday and special occasion.

© 2005 King Features Syndicate, Inc./Fleischer Studios, Inc.™/Hearst Holdings, Inc./Fleischer Studios, Inc.

M D I
A SCIENTIFIC GAMES COMPANY
call us @ 800.572.7082
surf us @ www.mdi-entertainment.com

CALENDAR GIRL

A Look Ahead at 2006 Growth

As many lotteries approach the end of Fiscal Year 2005, Public Gaming International felt it was important to look ahead to FY '06. We recently polled several key North American lottery executives to see what was expected in terms of growth.

PGI's poll asked three questions. What do you see as your lottery's areas of growth for FY '06? What new products do you expect to introduce in FY '06? And, how do you anticipate sales will perform in FY '06 compared to FY'05?



*John C. Musgrave, Secretary,
West Virginia Department
of Revenue*

John C. Musgrave, Secretary, West Virginia Department of Revenue

Areas of Growth: The West Virginia Lottery's three product lines – traditional lottery, racetrack video lottery, and limited video lottery – are all positioned for moderate to high growth in FY '06.

Within the traditional products, we project continued growth of instant tickets and revived player interest in the new Powerball® game.

Our sales at racetrack video lottery tracks will see moderate growth, but we are exercising caution in our fiscal projections for this product. Should border juris-

dictions start-up video lottery, our tracks may see a temporary loss of market share as players explore new venues.

Fiscal Year '06 will be the first sales period with limited video lottery fully implemented. All of the 9,000 terminal permits allowed by law have been purchased, and the majority of terminals will be operational at the beginning of the fiscal year. Sales for this product promise the strongest rate of growth for '06.

New Products: The West Virginia Lottery will celebrate its 20th Anniversary January 9, 2006, by offering a calendar year of promotion events throughout the state. Prior to that time, the new Powerball® game will be launched August 31st, along with various promotional endeavors.

In the video lottery product arena, we will initiate wide area network progressive jackpots and we will continue to increase Ticket-In-Ticket-Out machine features. The Multi-State Lottery Association's Video Lottery Product Group will implement linked progressive jackpots among West Virginia, Rhode Island and Delaware.

FY06 -vs- FY05: The West Virginia Lottery is cautiously optimistic about projected sales for FY '06. Our official projections indicate an overall decrease of three percent – a figure that reflects possible decreases in racetrack video lottery. However, our goal is to overcome this projection and exceed the remarkable FY '04 sales of \$1.3 billion, as we are doing in FY '05.

Ed Van Petten, Executive Director, Kansas Lottery

Areas of Growth: On line games (eScratch, Powerball, Super Kansas Cash, Pick 3, 2by2).

New Products: None are planned at this time.

FY06 -vs- FY05: Sales in FY06 are projected to be approximately \$219 million. Sales in FY05 are projected to be approximately \$208 million.

Pat Koop, Director of Sales and Marketing, South Carolina Education Lottery (SCEL)

Areas of Growth: The South Carolina Education Lottery (SCEL) sees areas of growth for FY06 in instant games and Powerball.

New Products: New products we plan to introduce in FY06 are an additional on-line game with a new price point as well as enhancements to Powerball.

FY06 -vs- FY05: SCEL anticipates FY06 sales to be consistent with FY05. We must look into new opportunities to grow our product. Introduction of various price points for on-line products, similar to our instant product line, will be investigated. Staff will develop instant games with added value that provide the level of expectation our players have come to anticipate.

Patricia Vasil, Deputy Director Product Development, Ohio Lottery Commission

Areas of Growth: We believe we will see growth in most product lines, including Rolling Cash 5 (new Oct. 2004), Mega Millions, Pick 4, and instant. This fall, the Lottery moves to a new instant ticket distribution and warehousing system, which will increase agency efficiency and is expected to positively affect instant ticket sales. The Ohio Lottery also expects an increase in in-state lotto game sales after the release of a new game proposed for this fall.

New Products: The Ohio Lottery plans to replace its in-state lotto game, Super Lotto Plus, with a new lotto game that has a unique, new play style. The game will be proposed to our commissioners in the upcoming months. The agency is also looking to add a spiel game option to Mega Millions later this fall.

FY06 -vs- FY05: We are projecting a moderate increase in sales.

George Parisot, Director, Montana Lottery

Areas of Growth: The Montana Lottery sees opportunities for growth in our Scratch products. We see a direct impact on sales when we advertise and promote Scratch, so we will shift some resources to improving the sales on Scratch products. We hope to introduce some new products to the market. Licensed property games will play an increasing role in our product mix, and we hope the planned introduction of a \$5 Crossword will solidify both the \$2 and \$5 price points. We're also excited to be offering a Star Wars game right at the end of FY 05. We believe that game will sell very well into FY 06.

There are also possibilities with our Montana Cash game. It will be 15 years old in FY 06, and we hope to celebrate that milestone with some fun promotions and advertising, which should stimulate sales and interest in that game. The upcoming change to Powerball should also help our sales in Powerball, as well as the rest of the lotto games, since larger jackpots in Powerball seem to bring higher sales in all our lotto games.

New Products: Again, licensed properties will be important in our Scratch mix. We hope to offer a Cyber Slingo game, since our Scratch Slingo is beginning to establish itself as a strong potential for sales. We will also be looking at opportunities through MUSL to expand choices for our players.

FY06 -vs- FY05: We anticipate higher sales in fiscal 06, because of the change to the Powerball matrix, and the winner awareness and advertising improvements we hope to put in place.

Rob Wesley, Director of Sales & Marketing for the Virginia Lottery.

Areas of Growth: The Virginia Lottery's areas for growth in FY06 include increasing the retailer base through new retail outlets, continued growth of higher price point scratchers (especially \$10), and the introduction of periodic promotional online games and online games add-ons.

New Products: In FY06, the Virginia Lottery expects to introduce "blockbuster" scratch games at the \$10 price point and perhaps a \$20 "pouch" holiday game. We may also introduce a scratch game with scratch plays on both the front and back of the ticket, and we expect to launch additional Pollard Banknote "Double Play" games with scratch and pull tab play areas.

FY06 -vs- FY05: The Virginia Lottery anticipates scratch sales will continue to grow (our goal is double-digit growth), and we expect to increase sales of all products 6 - 10% from FY05 to FY06.

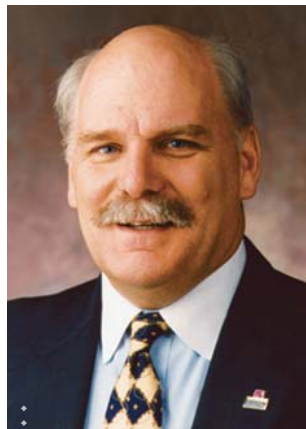
Arch Gleason, President and CEO, Kentucky Lottery Corporation

Areas of Growth: Our scratch-offs have shown tremendous growth over the past few years - they were up more than 11% in FY '04, and are now tracking ahead of last year's performance as well - so we look for these tickets to continue their upward trend. We're also hopeful the late summer changes slated for Powerball will help sales for this game rebound in our state.

...continued on page 28.



George Parisot, Director, Montana Lottery



Arch Gleason, President and CEO, Kentucky Lottery Corporation

“BIG, SOLID & MASSIVE”
Want to offer players something different for your next Harley® game?
How about the Harley-Davidson® FAT BOY®!
When you see a bike like this one, you understand this is what a motorcycle ought to be. A beefy V-Twin sends it down the road, commanding attention with every thump. That's what you get with the Fat Boy®. And that is probably why they've been a mainstay on American roads from the first day they set giant wheels to asphalt - available now for the first time for Harley - Davidson lottery games - exclusively licensed from MDL.



© 2005 MDL ALL RIGHTS RESERVED
Harley-Davidson is a registered trademark of Harley-Davidson, Inc.
Visit our web site at www.mdlentertainment.com
For more information, call your MDL sales rep, toll-free at 1-800-572-7082.
MDL
A Scientific Games Company

Building a Better Gaming Machine Program



Sales at Black Gold Casino have exceeded projections by approximately 15% since the November 15, the first day of operation of AEGIS-Video™.

It is well established that gaming machines are a cash cow for any government that has managed to pass legislation to implement them. In Delaware, Rhode Island and West Virginia machines dominate the revenue figures of Lottery agencies that are among the top revenue producers for their respective state governments.

It is also becoming clearer that the arguments in state governments about whether expanded gaming is a socially responsible way to generate revenue are slowly giving way to the reality that expanded gaming is here. Most Americans are within, at most, a few hours drive of a commercial, public or tribal casino. If citizens don't have a casino in-state, there is likely one just across the border.

As a result, several states are working on, or have already passed, legislation that would allow slots or VLTs to operate in various venues in order to raise revenue for their own jurisdictions.

While these states will likely have to operate machines for several years before they begin to catch up to the revenue figures already tallied by jurisdictions that have been offering the machines for years, they do have one advantage. They have the opportunity to study what has worked, and what has worked really well (let's face it, from a pure revenue standpoint, everything implemented has worked with gaming machines), and fashion their programs in such a way as to maximize revenue potential.

Revenue potential is affected not only by the number of machines allowed in a jurisdiction, but also by the average daily net win per machine. Many factors influence net win on a machine. The most obvious are the types of machines the facilities are allowed to operate (Class III, Class II, etc.) and the types of games allowed on the machine. These are very important factors to consider for any government body that is setting regulations for any state-sponsored gaming machine program.

What are slightly less obvious are the other factors that come into play. What commission rate do the operators receive? What types of venues will operate machines? Where are these venues located? How much competition will these facilities face? And, how many content providers are represented on the gaming floor?

Commission Rates

"One of the things that needs to be carefully looked at is, are you going to

enable the facilities you are trying to set up in your jurisdiction to be able to compete," said Robin Drummond, Senior Director Government Sponsored Gaming GTECH. *"What is the competitive landscape of your particular state or jurisdiction? Do you have gaming on your borders? Do you have Indian gaming in your borders? Do you already have existing casinos? Who are your venues going to need to compete with? That needs to be very closely considered when you're setting up the commission rate.*

"Like we've seen in West Virginia and in Delaware, you want to enable those facilities to be able to offer their players entertainment and other amenities associated with the program similar to what one would see in other jurisdictions. The return to the state does not necessarily drop if the tax rate is dropped."

When setting commission rates, state lawmakers have to walk a very thin line. If they set their commission rates too high they run the risk of seeming like they're only looking after the interest of the operators. If they set commissions too low the operators who are interested in trying to maintain a program won't be unable to reinvest profits in such a way that would build the customer base.

One recent example of this occurred in New York, where upon implementation of the program, only 29 percent of the net win was given back to operators in commission. While the machines have been successful at generating income, the program's growth has been slowed by the reluctance of some venues to launch their video gaming entertainment facilities.

"New York is losing hundreds of millions of dollars in revenues that could be going into education because VLTs are not up and running at the two biggest race tracks in the state," New York Senate Majority Leader Joseph L. Bruno said. *"We've been talking about this problem for almost two years since the Courts ruled the previous distribution system was unconstitutional."*

The good news for New York tracks is that Governor Pataki recently signed legislation that increases the track's share of the take. Tracks will now receive 32 percent of the first \$50 million in VLT revenue, 29 percent on the next \$100 million, and 26 percent on all subsequent revenue. Under the bill, tracks would also receive a marketing allowance of 8 percent on the first \$100 million and 5 percent on all revenues over \$100 million.

"New Yorkers go elsewhere for recreational gaming, horse betting, and entertainment," said New York Senator William Larkin. *"The gambling dollars people are already spending in neighboring states could be benefiting New York. VLT's could generate hundreds of millions of dollars for New York State education programs, which was the original intent of the program. The legislation we passed creates a workable reimbursement fee for the vendors who will be running the VLT's while providing a mechanism to successfully garner additional funding for the state. In addition, changing this formula will enable our race tracks to upgrade their facilities, and offer a variety of cultural and recreational forms of entertainment so that they can become true tourist destinations. Ultimately, this strategy will help keep lost revenue here in New York."*

Illinois is another state dealing with issues concerning operator commission. In 2003, legislators dropped operators' commissions from a rate of 50 percent to 30 percent. As a result, the casinos have decreased marketing, cut more than 3,000 jobs, and decreased operating hours. Admissions dropped by 18 percent. While the state's take did increase by roughly 26 percent, it was significantly lower than the near 50 percent gain that was expected.

Whether Illinois lawmakers did the right thing in decreasing commissions is a matter for debate. After all, the state did implement casinos in order to generate revenue, and decreasing the commission rate did increase revenue. But what about generating commerce? What about the income tax

revenue that was lost when 3,000 jobs were cut? There are no easy answers in an issue such as this.

The Oregon Lottery is currently winding up a struggle with this issue. When legislation passed allowing the Lottery to expand from offering only video poker on its gaming machines to allowing “slot-styled” line games, the state government requested that the venue owners commission, at the time an average of 28.8 percent, be lowered. The reasoning behind this was that the state didn’t mean for the advent of line games to be a financial boon to venue owners.

This is a fair point to ponder when one considers that many states chose to put machines in race tracks in order to give a much needed revenue boost to their dying racing industries. Oregon VLTs aren’t in race tracks, and they weren’t implemented to save the bar and tavern industry – they were implemented solely to generate revenue for the state.

Still, Oregon’s bars and taverns are businesses, and while the average venue, with 5.125 machines, wouldn’t gain enough VLT revenue to reinvest in something as grand as a hotel, they still look at their machines as an investment that they can build around.

When the operator commission for line games was initially suggested to come in at 15 percent (the video poker commission is 29 percent), many venue owners threw up their hands and said they wouldn’t add the line games. Through much negotiation, the commission rate has been reset at 24.8 percent for both line games and video poker.

Location, location, location

There are several different types of venues in the U.S. that serve as gaming machine outlets. There’s racinos (horse and dog tracks, Jai-Alai frontons), casinos, riverboats and bars and taverns. Many states operate machines at more than one of these types of venues.

So which of these venues makes the most sense for gaming machine implementation? Of course there is no definite answer to this question. From a pure distribution standpoint it would seem that several thousand bars and taverns, spread throughout a jurisdiction, would be the best option. In states historically linked to riverboats cruises, riverboat casinos seem to naturally fit in with the tourism thrust.

Still, there’s a reason why so much of today’s gaming legislation is tied to racetracks. It’s just a logical fit. With tracks, you already have a branded gambling facility with plenty of parking.

“If you look at what’s happened in Pennsylvania and Maryland, really the model that has been successful has been to keep it at the racetracks,” said Ted Arneault, Chairman and CEO of MTR Gaming. “There’s a good reason why. Most of the states have tracks with a long history that have had wagering or gaming since day one. Mountaineer Racetrack itself is over fifty years old. We’ve had gaming at Mountaineer a long time. It’s accepted, we have a base of employees, we have a base of horsemen that reaches out to the agrarian economy plus the regular tourism economy of the state...If you look at the models that have been successful, that have been out to market quickly, they’ve really centered around the racetracks for the good reason that they are historic for the states, they have provided jobs for a long time, and they’ve been in the gaming business for, usually, a very long time. The segue is not that severe.”

Brennan Lawrence, VP & General Manager of Scientific Games Video Gaming Systems, added “Certainly one of the things regulators have looked at is that in a racetrack you already have an age controlled environment. At a racetrack you’ve already shown the ability to monitor underage gaming and put some controls in place.”

Not only are tracks recognized gaming destinations with, in most cases, a long history of dealing with all types of issues associated with gambling, but the facility is already there.

“Choosing the existing venues can significantly speed up the time to market,” said Drummond. “You already have the venue in the community, all the zoning issues have been established, all your parking issues, all your traffic flow issues to the facility already exist and the ability to start a program out of an existing racetrack is significantly faster than if you’re going to try and do a green field site somewhere both



Ted Arneault, Chairman and CEO of MTR Gaming



Brennan Lawrence, VP & General Manager of Scientific Games Video Gaming Systems

Seeing Spots?
Of course you are!
How can you miss them?

That’s the whole point of the new lottery version of the classic party game TWISTER – with all of the fun play action and the brilliant colors of the original, even UNDER the latex! Forty years of TWISTER® lovers are going to want to give this one a spin. In fact, we predict they’ll be falling for it!

Twister

RIGHT HAND



BRAND



LEFT FOOT



MDI

A Scientific Games Company
Visit our web site at
www.mdientertainment.com
For more information,
call your MDI sales representative
toll-free at 1-800-572-7082.

TWISTER is a trademark of Hasbro and is used with permission. © 2005 Hasbro. All Rights Reserved

When Dotted I's and Crossing T's, Don't Overlook the Most Important T

Let's assume you've dotted all I's and crossed all T's. You've...

- selected the types of machines and types of games your venues will be allowed to operate
- chosen the types of venues and locations that will comprise your video lottery network
- established a maximum number of machines per location
- analyzed and understand the competition your facilities will face; and
- set your operators' commission rate.

There's one more T to cross... and a most critical one at that: Technology.

Yes, video gaming may well be a cash cow, but governments can lay an egg if they don't also give their operators the best, most advanced technological arsenal to compete. One of the more important pieces of competitive weaponry today is the video control and monitor system.

There are fundamentally two types of systems, each as different from the other as night and day:

One system requires video lottery terminal (VLT) manufacturers to adapt their implementations to a proprietary protocol. Manufacturers must invest large blocks of time and money to reprogram their gaming software to fit the central system's parameters, which negatively impacts their return on investment. Many manufacturers, as a result, opt out of such jurisdictions, particularly smaller ones, thereby limiting the number of games made available to players. Themes also tend to stay on the floor longer – and thus become stale – because of the cost required to refresh them.

End result: Sales and revenue to both lottery and its venue operators are diminished.

The second system is based on an industry standard protocol known as SAS (Slot Accounting System), which makes it infinitely easier for VLT manufacturers (and lotteries) to bring new games to market. Currently, SAS is the only standard protocol accepted by the gaming industry.

"Virtually every business is moving to a standard industry protocol and that technology has finally come to the lottery industry," says Brennen Lawrence, Vice President & General Manager of Scientific Games Video Gaming Systems. "Our AEGIS-Video™ system is at the vanguard of this emerging trend."

With SAS, costly and time-consuming reprogramming of games is eliminated. Gaming machine manufacturers, thus, can bring their newest and most progressive themes more quickly to video lottery venues, including themes designed by the manufacturers that provide 95% of the gaming machines on casino floors.

"The implementation of SAS and future BOB [Best of Breed] standards offer regulators and venue operators advantages that are not attainable with other systems," says Lawrence. "Our systems easily accommodate these new and emerging standards as well as the pending issuance of IGT's new Super-SAS standard."

AEGIS-Video™ also offers enhanced monitoring capability and superior reliability. Incorporating industry-leading features and functionality that includes 24/7 operations and monitoring of all components on the system, frequent data collection and access, integrated local and wide area progressives, and application downloading, AEGIS-Video means lotteries pay significantly less to provide 24-hour staffing to ensure the same high level of operational integrity provided by the prevailing legacy systems on the market. ♦

– Submitted by Scientific Games

from a political standpoint and the sheer cost and requirements to get infrastructure established."

Competition/Saturation

How long can gaming machine figures be expected to rise? The overall U.S. sales figures should be expected to go up for as long as machines continue to be added. What about average sales for each state? What about the average net win per machine in any given jurisdiction?

In the May 2003 edition of Public Gaming International Magazine, Rhode Island Lottery Director Gerry Aubin estimated that 25 to 30 percent of the Lottery's VLT customers come from Massachusetts, Delaware Lottery Director Wayne Lemons estimated that 70 percent of their VLT customers come from outside the state, and West Virginia Lottery Director John Musgrave estimated that out-of-state attendance at three of his state's four racinos exceeded 80 percent. The fact is, these out-of-state numbers will, at some point, decline as border states implement gaming machines. What's more, states that do add gaming machines can't expect to achieve similar out-of-state customer numbers. The competition for gaming dollars only stands to become more intense.

"I think our businesses are going to have to be run just like any other business," said Arneault. *"We're going to have competition, and we're going to have to make sure that we have the latest product that our customers want. Legislators think sometimes that because you're given a license your revenue stream is protected and guaranteed. It's not, and I think that's going to be proven as these additional states come on line and these additional venues come on line. It's going to be the facility that can be most customer friendly, have the best service and give the product that the customer wants that are going to succeed."*

"I think its going to be the states that are willing to look at this as an industry, that look at their tracks and venues as a business that needs to compete and therefore are willing to change the legislation as needed in order for those venues to compete that are going to be the most successful. I think those that don't go that way are going to have problems."

What makes a gaming venue competitive? Higher payout, better selection of games, healthy competition between content providers, and the ability to reinvest gaming dollars back into the facility in order to create reasons, outside of gaming, for customers to choose that particular venue (entertainment, better restaurants, a nice hotel, etc.)

"The competitive landscape is the issue," said Drummond. *"There's extremely successful programs in Rhode Island with a very high rate of return to the state in whatever form it comes. But that has evolved over time. There are other jurisdictions that have tried to begin the program, like New York, with a very high return to the state initially. It is absolutely key to look at the competitive landscape that is in place. In some jurisdictions you have extremely successful, well developed destination gaming on the Indian Gaming side of things with golf courses and hotels and entertainment. The ability of the venue to compete in that environment is absolutely key to make sure that the state, or the lottery, or the gaming commission has the revenue stream that they require and was the reason the program was put in place in the first place."* ♦

EXPO ILAC

International Lottery & Gaming EXPO and ILAC Congress 2005

Bellagio Hotel, Las Vegas, Nevada

July 11-14, 2005

**For more information,
contact Susan Burke at:
800.493.0527 or susanjason@aol.com**

Public Gaming Research Institute's
International
EXPO/ILAC'05
CONGRESS
Bellagio Hotel, Las Vegas
July 11-14, 2005

The International Lottery & Gaming Expo & ILAC Congress

This international conference is for government operators, private operators on behalf of government and suppliers charged with maximizing revenues for lotteries, racinos and other gaming enterprises. The focus will be on the latest and smartest marketing, technologies and innovations for dramatically increasing sales and maximizing profits.

Interim
Program Schedule

Simultaneous English/Spanish translation will be available for all sessions

JULY 10 - Sunday
8am-Midnight – Exhibit Set-up

JULY 11 – MONDAY
8am – 2pm – Exhibit Set up
12 NOON – 7pm Registration Open/
2pm – 3pm
Orientation for New Gaming & Lottery industry Representatives
3pm – 5:30pm – General Session I

WELCOME TO EXPO-ILAC 2005 & INDUSTRY OVERVIEW

Speaker:
DUANE BURKE
 CEO, Public Gaming Research Institute, Inc.;
 Publisher, Public Gaming International Mag.;
 CEO, ILAC de Guatemala S.A.

RECOGNITION OF COUNTRIES

Recognizing the countries & lotteries represented at this year's EXPO/ILAC

INTRODUCTION OF CO-SPONSORS

Introduction of the companies that are helping to make EXPO/ILAC successful

KEYNOTE ADDRESS

The Challenge to North American Lottery & Gaming Interests from Off-Shore Internet Gaming Operations

Speaker:
DR. EDWARD STANEK, CEO & President,
Iowa Lottery Authority

TOP TIPS FOR INCREASING REVENUES

A panel discussion featuring many of the lottery & gaming industry's leaders at EXPO

LIFETIME ACHIEVEMENT AWARD

Presentation of the Major Peter J. O'Connell Lottery Lifetime Achievement Award to **DANIEL BOWER**, Chairman of Telecom Game Factory and Co-Founder of Scientific Games Inc.

5:30pm – 7:30pm
Reception in Exhibit Area

JULY 12 – TUESDAY

8am – 9am – Continental Breakfast - Exhibit Area

8am – 5:30pm – Registration Open

9am – 1pm – General Session II

KEYNOTE ADDRESS

Revenue Growth and Profits from the Examples of Others

Speaker:
ARCH GLEASON, CEO & President,
Kentucky Lottery Corporation; Vice-President, World Lottery Association (WLA)

Continued next page

SPECIAL GUEST SPEAKER
Growing Through Smart Marketing and the Timely Introduction of New Products
Speaker:
REBECCA PAUL, CEO & President,
Tennessee Education Lottery

NEW PRODUCTS – THE LIFE BLOOD OF GROWTH
A Panel Discussion of Lottery, Gaming and Supplier Experts

SMART MARKETING & PROMOTIONS – THE INDISPENSIBLE TOOLS
A Panel Discussion of Lottery, Gaming and Supplier Experts

LICENSED PRODUCTS FOR GROWTH
A Panel Discussion by Industry Leaders on Best Strategies for Using Licensed Products

GROWTH STRATEGIES FOR ON-LINE GAMES
A Panel Discussion by leading experts
5pm - On
Evening Open

VIDEO GAMING IN RACINOS – A LEADING OPPORTUNITY FOR GROWTH
Panel discussion by leading experts

MONITOR & VIDEO GAMING IN LICENSED LOCATIONS
Panel discussion

1 – 3pm
Luncheon & Networking - Exhibit Area
LOTTERY INDUSTRY HALL OF FAME AWARDS FOR 2005

3pm – 5pm – General Session III

ADVERTISING THAT WORKS
Examples of TV ads that are working from around the world

PLANS FOR GROWTH IN LATIN AMERICA AND THE CARIBBEAN
Panel discussion on product needs and plans for growth in Latin America & the Caribbean

NEWEST INSTANT GAME STRATEGIES
Panel Discussion
JULY 13 – WEDNESDAY
8am – 9am – Continental Breakfast - Exhibit Area

8am – 2:00pm – Registration Open

9am – 1pm – General Session IV

SECURITY & REGULATION OF GAMES
Panel discussion

SPECIAL GUEST SPEAKER
The Challenge to Lottery Monopolies

GROWTH OF LOTTERIES IN INDIA
A panel discussion

GROWTH STRATEGIES IN EASTERN EUROPE
Presentation - speaker to be announced

GROWTH STRATEGIES IN WESTERN EUROPE
Presentation – speaker to be announced

1– 2pm
LOTTERY HALL OF FAME AWARDS Luncheon & Networking in Exhibit Area

2:30pm – 6:00pm
VIP TOUR OF GAMING TECHNOLOGY
Limited to government & gaming-operations company representatives only - space limited. Transportation will depart from the front entrance of Bellagio at 2:30pm and will return by 6:00pm.

Advanced and proprietary technologies of these companies will be presented.

Refreshments, paid for by conference Host Public Gaming Research Institute, will be served.

5:30pm – Evening Open

JULY 14 - THURSDAY

8am – 9am – Continental Breakfast

9am – 11am

EXPO/ILAC ADVERTISING AWARDS CLOSING DISCUSSIONS

11am

Conference Adjourned

FOR GOVERNMENT & INDUSTRY
For Sponsorships, Exhibiting and Attendance information:
see: www.publicgaming.org or
e-mail: susanjason@aol.com or
call in the US: 425-985-3159



EXPO/ILAC 2005 Conference & Exhibits
Bellagio Hotel – Las Vegas
July 11 – July 14, 2005
CONFERENCE REGISTRATION FORM

Contact/Title: _____
 Company: _____
 Address: _____
 City: _____
 State/Prov./ _____ Zip/Postal Code: _____
 Tel.: _____ Fax: _____
 Signature: _____
 Email: _____
 Number of Registrations _____ Total \$ _____

**FEES: NO CHARGE FOR LOTTERY, OTHER GOVERNMENT &
 RACING/RACINO REPRESENTATIVES
 \$895 FOR VENDORS, SUPPLIERS AND ALLOTHERS;
 \$795 FOR EXTRA EXHIBITOR REPRESENTATIVES.
 SPOUSES ATTEND FOR FREE**

Conference registration includes all meetings, reception, continental breakfast each morning and two luncheons. In addition, government representatives are invited to participate in the **VIP TECHNOLOGY TOUR** including refreshments.

REGISTRATION PAYMENT:

Please circle the credit card to charge: American Express, MasterCard, or VISA.

Amount to charge: \$895.

Please charge to my credit card _____ Please invoice me _____

Fill-in below for charges.

Card Number: _____ Exp. date: _____

Signature: _____ Date: _____

Name on Card: _____

Please fill out this form and fax back to **800-657-9340 or 206-232-2564.**

Please send checks to:

Public Gaming Research Institute, 218 Main Street, #203, Kirkland, WA 98033. USA.

HOTEL RESERVATIONS: Bellagio Hotel, 3600 S. Las Vegas Blvd., Las Vegas, NV 89109 -Contact Room Reservations Department at (888) 987-6667, (702) 693-7444 **or on the website at www.bellagio.com under the PUBLIC GAMING / EXPO/ILAC 2005.**

PUBLIC

GAMING

I N T E R N A T I O N A L

EXPO/ILAC 2005

FORMULARIO DE INSCRIPCION

del 11 al 14 de Julio, 2005

Bellagio Resort Hotel • Las Vegas, Nevada USA
Auspiciada por Public Gaming Research Institute

Nombre y Cargo: _____

Nombre para su distintivo: _____

Nombre de esposa (o) si asiste: _____

Compañía: _____

Dirección: _____

Ciudad: _____ Estado: _____

Código Postal: _____ País: _____

Teléfono: _____ Fax: _____

E-mail: _____ Página Web: _____

Derechos de Inscripción por Persona (marque uno):

Compañías o Loterías particulares: Pagan US **\$895.00**

Loterías públicas nacionales (gobierno): **No Pagan**

Metodo de Pago: Todos los pagos se realizarán por adelantado. El espacio se confirma al recibir el pago. No se efectuarán reembolsos después del 30 de junio, 2005.

Autorización de la tarjeta de crédito para \$US _____

Fecha de la transacción American Express VISA Mastercard

Número de la tarjeta: _____ Fecha de expiración: _____

Nombre del titular: _____

Firma: _____

Existen otras formas de pago disponibles bajo pedido. Para más información comuníquese con Raquel Orbezo al 425.765.4119 o e-mail: raquelpgr2@aol.com. Envie por fax su ficha de inscripción al congreso: Fax: 206.232.2564.

RESERVACION DE HOTEL: Llame directamente al hotel Bellagio Resort Hotel para reservar su habitación 888.987.6667, 702.693.7444 o en el sitio www.bellagio.com. Habitaciones con descuento especial para los asistentes a EXPO/ILAC 2005 US \$159 simple o doble.

SMART-Idea: Michigan Selling Lottery Media Assets

At SMART-Tech 2005, the Michigan Lottery was the recipient of a SMART-Idea Award for generating additional revenue through the selling of lottery media assets.

Every Lottery has a number of media assets available to it, and while in the past many in the industry haven't considered these as strong assets, they do have some value.

The Michigan Lottery has four types of media assets: online terminal roll stock, bet slips, instant ticket backs (especially higher price point games as they are typically larger tickets), and Club Keno, where the Lottery has monitors running twenty hours a day, seven days a week.

A Deep Reach

The Lottery media asset reach is deep, registering over 1 billion impressions per year. The roll stock alone is 965 million pieces coming out of 9,000 retailers. Each one of those wagers, in general, has a value. People pocket them and wait for the drawing to happen. In addition to the roll stock, the Michigan Lottery prints 13 million \$10 and \$20 instant tickets per year. These tickets have a high value due to their size and the fact that they also are typically held onto for a while. For Club Keno, the Lottery operates 3,000 monitors in 1,800 locations.

How concentrated of a marketing attack can these billion-plus impressions make on Lottery customers? Michigan has a population of 10.1 million people. Statistics as to who plays the Lottery in a year varies between 30 percent and 80 percent of the population. That means that between 3 million and 8 million people are in the reach potential, which is a fraction of the billion-plus impressions offered by the Lottery each year. To an advertiser, that means lottery media assets offer the opportunity to reach Lottery customers somewhere between 125 and 333 times on average each year.

Who would the advertising targets be? Actually, Lottery consumers compose a very attractive group for advertisers. The top age group, 18-49 years, comprises 63-69 percent of Lottery buyers in Michigan. Ages 25-54, a secondary advertising priority, makes up 62-64 percent of the group, and 71 percent of the Lottery buyers are 35-years and up. In Michigan 55 percent of Lottery customers earn \$50,000-plus per year.

In addition to being able to offer a deep, concentrated marketing attack on an attractive consuming group, lottery media assets also carry the benefit of proximity. The Michigan Lottery has 7,000 retail stores and 2,000 bars and restaurants selling product. These outlets offer the opportunity to reach consumers in the environment where purchasing decisions are being made – a powerful consideration for advertisers.



Media Value

What might lottery media assets be worth? Trying to determine the value of any media is key, and the Michigan Lottery found itself in the position of having to find the right price to sell its media assets at. To do so, the Lottery had to consider comparable media assets from other industries: grocery store receipts, movie slides; in-store, in-bar networks; shopping cart advertisements; event ticket backs. In addition to looking at these comparables, the Lottery also had to consider the reach, impressions, duration, and creative unit size.

Ultimately, the Lottery developed a cost of roughly \$5 to \$6.50 per 1,000 impressions. To offer perspective, Michigan premium TV broadcast time goes at a rate of roughly \$12 per 1,000 impressions. As a result, the Lottery estimates the annual revenue potential for this program to be \$5 to \$8 million.

Selling Assets

While the Lottery has found what they believe is a good price range for their media assets, the real price will be determined by the market. As the Lottery is not in the business of selling ad-space and is not interested in creating a department devoted to selling ad-space they are bidding the program out as a turn key operation. The Lottery is expecting to find a quality media broker who can turnkey the program for X% of the sales.

Ultimately, the Lottery will leave it with that media broker to create the price and solicit advertisers. Media brokers typically get between 5-10 percent commission on something like this, and the Lottery acknowledges it's likely that since the program is just starting, the commission, at least at the beginning, will be more towards the top end.

While much has yet to be determined in regards to the Michigan Lottery's attempts at selling its media assets, one thing is certain – the eyes of the lottery industry will be closely monitoring its progress. Across the U.S. local and regional advertisers are looking at more targeted media with which they can conduct short term promotions. Due to its deep reach and proximity, lottery media assets will be seen as an excellent marketing vehicle for many products. ♣

The Ultimate Lottery Research Panel

The Internet has emerged as the key source of information for this generation of consumers. Lotteries have responded with Players Clubs and Online marketing programs. Lottery research methods have also changed to leverage this new communication channel.

The amount of customer intelligence available online from Lottery Players has exploded while research costs have come down.

Is your Lottery taking advantage of this? Kopel Research Group can show you how. We have the proven track record to help your Lottery harness the new on-line research methods.

Learn how to develop and manage your own state Lottery Research Panel by obtaining our FREE:

“Guide to Online Lottery Research Panels”

Call now: (781) 784-3343

Our Services

- Benchmark Survey
- Game Concept Analysis
- Player Segmentation
- Player Research Panels
- Market Concept Testing
- Retailer Studies
- Advertising Awareness

Our Methods

- Online Surveys
- Online Player Panels
- Telephone Surveys
- Focus Groups
- Intercept Interviews
- Mail Surveys



Our Team



KOPEL RESEARCH GROUP INC.

Web: www.kopel.com
Email: info@kopel.com
Phone: 781-784-3343

Over 15 years of Lottery Market Research Expertise

VLT Perceptions: An International Lottery Players' Survey

By Phil Kopel, President Kopel Research Group, Inc.



Lotteries continuously look for new products to add to their lottery mix. One such product is the Video Lottery Terminal or VLT. These machines are often polarizing topics of discussion. Their introduction into the Lottery game mix can stretch the bounds of what is an acceptable Lottery product.

For some, the VLT is a modified slot machine, which belongs solely in a casino. For others, it is a legitimate new Lottery device that is a welcome addition to an aging selection of games.

In this article we look to Lottery players around the world for their perspective on the Video Lottery Terminal (VLT).

Current VLT Locations

Among our International Lottery Survey participants, overall 13% said that their Lottery currently has VLT's. This percentage varied from 28% of Canadian participants who said that their Lottery had VLT's, to just 8% to 10% of respondents from the United States, Australia, Europe and Asia.

Often the trepidation of getting VLT's appears to result in an overly negative perception. Generally, once a jurisdiction has VLT's, people are generally more positive towards them.

- In jurisdictions where there are currently VLT's, 65% of the respondents say they are in favor of them, 20% are not in favor of them and 15% are unsure.
- In jurisdictions where they do not exist, 42% say that they would be in favor of them, 35% are not in favor and 23% are unsure.

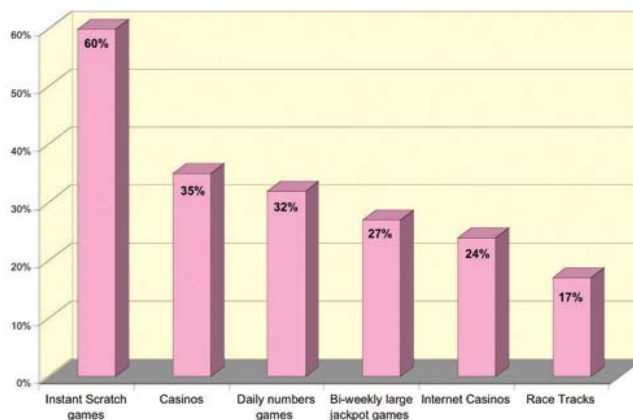
VLT Play Behavior

In jurisdictions that have VLT's across the USA, Australia, Asia and Europe consistently 62% of respondents have played VLT's. In Canada, 78% of Canadian respondents have played them.

In jurisdictions that do not have VLT's, respondents were asked if they would play them if they were offered. Overall 14% said they would definitely play them and 40% said they would probably play them. Respondents from the United States, if given a chance to play them appear more interested than those from Europe, Asia and Australia.

Respondents that said that they would either definitely or proba-

Gambling Activities Would Play Less



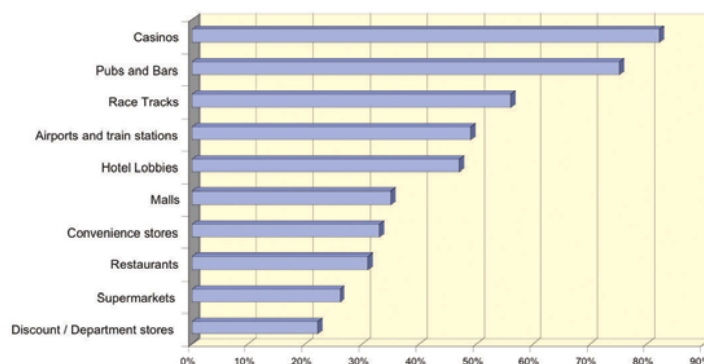
bly play VLT's, if they were available, were asked if they thought it would result in them participating less in other gambling activities. Just 20% thought they would spend less on other gambling activities, 32% said they would not spend less and 47% were not sure. There were no significant differences across all of the continents.

Of the 20% that thought that they would spend less on other gambling activities, the chart on the left shows which activities they would play less:

VLT Location Preferences

Of utmost importance to Lotteries considering installing VLT's is the question of where they would be accepted. Respondents that were in favor of their jurisdiction having VLT's were provided with a list of potential loca-

Locations in Favor



tions where the VLT's could be located. The chart at the bottom of page 18 shows the percentage that favor each location.

- Respondents from the United States were significantly more positive about placing VLT's in convenience stores and restaurants than respondents from other countries.

In order to validate that the locations that were least favored were actually disliked, respondents, who were in favor of having VLT's in their jurisdiction, were asked which locations they would strongly oppose. The chart to the right shows the percentage of respondents that strongly oppose each location.

Summary

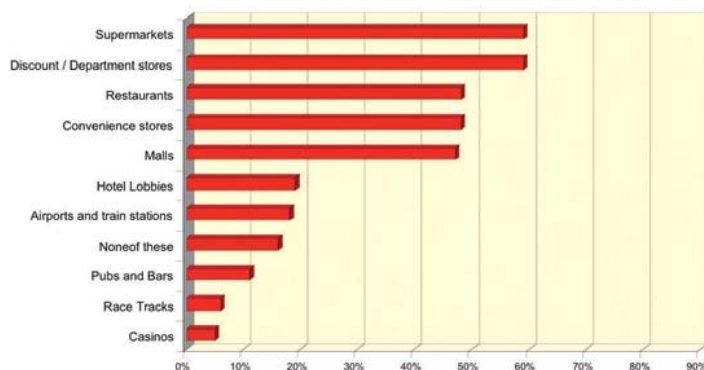
This survey indicates that generally the VLT's have the potential to increase lottery revenue as only 20% of respondents, that would play with the VLT's, feel that it would cause them to play other gambling activities less. The largest impact would appear to be on instant scratch ticket sales.

The VLT's appear to be most accepted in places where there are other existing gambling activities and pubs or bars.

The next tier of interest would be public places where people congregate or loiter, such as public transportation stations and hotel lobbies.

The VLT's appear to be least desired at places where families shop: supermarkets, department and discount stores, restaurants (without bars), convenient stores and shopping malls. ♣

Locations Strongly Oppose



For information about the demographic and lottery play distribution of the International Lottery Research Panel please see the April edition of *Public Gaming*

The Author: Philip Kopel, President, founded Kopel Research Group, Inc. www.kopel.com in 1989. Phil has managed a diverse variety of research projects for many lotteries throughout the United States and Internationally. The company provides comprehensive lottery market research solutions including; benchmark studies, research panel management, game design concept analysis, player segmentation analysis, game mix optimization, sales forecasting and retail agent feedback and satisfaction analysis.

PUBLIC

GAMING
I N T E R N A T I O N A L

Subscribe to the world's most widely read Lottery-Racino-Gaming magazine today!

Annual Subscription Rates

Public Gaming International (monthly magazine)

- \$145 U.S.
- \$160 Canada/Mexico
- \$225 All Other Countries

PGI's International Morning Report (weekly fax or email)
Industry news bulletin. FREE only with IALS membership.

To order, contact our circulation department at:

Public Gaming International
218 Main Street, #203
Kirkland, WA 98033
ph: 800.493.0527 • fax: 800.657.9340
email: publicgam@aol.com • website: www.publicgaming.org

To Order:

Check publication(s) you wish to receive, and return completed form.

Name _____

Title _____

Company _____

Address _____

City _____ State _____

Zip Code _____ Country _____

Phone _____ Fax _____

Check method of payment. Amount \$ _____

Check VISA Mastercard American Express

Card # _____ Expiration _____

Signature _____

Online Poker Anyone? Or Online Action Games, Or...?

A bold move highlights new opportunities for State sponsored gaming.

By Martin Owens, Jr.

In March, the State of North Dakota turned down an opportunity to license online person to person poker as State sponsored/licensed gaming (House Measure 3035) This was unfortunate in many respects, both for North Dakota and for the rest of State sponsored gaming in the USA, because there is no definitive reason they cannot do this.

Federal opposition has no statutory basis

The primary reason cited for the bill's defeat was the advice of the U.S. Department of Justice, which alleges that such gaming would violate the Wire Act (18 U.S.C. §1084). This gambit had worked before, against Nevada and the US Virgin Islands. But when we look at the actual statutory language and the case law it seems there is very little behind the DOJ assertion.

First, it is not at all clear that the Wire Act forbids anything other than sports betting and information for sports bets. The government's claim that this law covers every kind of gambling is based on a hypertechnical and highly suspect interpretation of a single sentence of paragraph (a). This forbids gambling businesses to use wire communications facilities to transmit "bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest" and then continues, "or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers..." The DOJ claims that the second part of the sentence magically extends the law to cover gambling in every form, notwithstanding that it began by talking about sports wagering, and gives no indication that the subject has been changed or expanded. This is quite illogical. It is hard to believe that even Congress would begin a sentence talking about one subject, and then shift gears in the middle of it without telling anyone, to end with another!

Not much case law is available on this heading. What little there is further contradicts the government's position. In 2001, Judge Duval of the U.S. District Court for the Eastern District of Louisiana specifically held that the Wire Act does not apply to Internet gambling, other than bets on sports events. This case, incidentally, was not a gambling prosecution at all, but a civil damages suit. Players who decided that their Visa and MasterCard issuers had victimized them (apparently by allowing them to pick the wrong teams) brought a consolidated class action under the civil damages provision of RICO. The cases brought were dismissed,

inter alia, for failing to allege that sports betting was involved. It is worth noting that the Fifth Circuit Court of Appeal not only upheld Judge Duval's decision, but went out of its way to specifically approve his interpretation of the Wire Act.

Second, even if the Wire Act does cover every sort of gambling, there is a "safe harbor" exemption which State authorities can use at will. Paragraph (b) of Section 1084 declares that transmission of a bet or betting information between Point X and Point Y is in fact legal, provided that the bet is legal in both X and Y. This obviously includes transmissions between two points in the same State, so that larger states such as California and Texas could set up their own intrastate poker networks. It could also include online poker games conducted between residents of States which permit it.

State sponsored gambling, of course, has been crossing State boundaries for years, with the TriState lottery of New England, Powerball, Megamillions, and OTB ; at least three licensed services take interstate horse bets over the Internet (for that matter, since Canadian bets are included, we can change it to "international"). Why doesn't the DOJ declare these, too, to be proscribed by the Wire Act? The fact pattern is almost identical to the proposed poker networks above. There seems to be a serious question as to whether the DOJ position could survive actual challenge.

Objections are dated, and easily overcome.

There are of course, other "concerns" which will inevitably be cited against any State sponsored P2P poker. But on closer examination these are hardly substantial, and easily dealt with.

Underage and unauthorized gaming: How to prevent children from playing online? Unauthorized third parties? Simple. A P2P poker network requires players to open an account. This account is funded via credit cards, debit cards, or bank drafts – that is, transfer from registered accounts. Online gaming, in other words, has surer means to confirm the identity of the players than land based gaming. (How many purchasers of lottery tickets get carded? How many racinos require a password?) In addition, software that can trace and verify the physical location of an online correspondent has been available for some time now; and of course verification via a player's ISP can easily be made a condition for registration – this



is an advantage States would have over private establishments.

Problem gaming: State sponsored gaming can easily prevent “problem gamblers” from losing too much with a simple daily, weekly or monthly betting limit, and of course, limiting each individual to one gaming account. In addition, where a problem gambler must ask to be excluded from private gaming, State regulations could easily make such exclusion mandatory at State sponsored poker pages. A genuine degenerate gambler, by contrast, can ruin himself at land based gaming by the simple expedient of moving from place to place and using cash.

It won't be approved: Why haven't the States made wider and better use of the Internet for their sponsored gaming? The most frequently cited reason I heard at Smart Tech was political opposition – but much more in a tone of “this is what they'd do if we tried” rather than “we tried it and they opposed.” My question is: where 48 of the 50 States have approved some form of gambling, how strong can anti-gambling sentiment really still be? What power does it actually wield?

In perhaps the most valuable insight of the whole convention, Oklahoma's Governor Brad Henry detailed the difficulties of getting an education lottery before the public. Special interests and individuals within the legislature put up strong opposition by manipulating the political process. But, Governor Henry related, once the initiative for that lottery found its way in front of the voting public, it passed by an overwhelming 70 percent. This is a powerful indication that, even in the so-called Bible Belt the strength of the anti gaming forces is not as great as they pretend. If it were, then there would not be 45 State lotteries, and State lottery income in this country would not be counted in the tens of billions (to say nothing of racinos and OTB). Perhaps the anti-gamers would have less power if we all quit conceding it to them at the outset.

No better time, no better reason

Another important point made at Smart Tech this year was that

technology is melting the walls – and that's a good thing. Familiar classifications and distinctions of law, game rules and limits on marketing are all giving way, merging into a flood of fresh possibilities, new combinations. State lottery play has already been integrated experimentally with role-playing games by Quebec and Iowa (the Treasure Tower program), and other variations are being tried. But now there is the possibility of completely new hybrids that may not even legally qualify as gambling. There is no real reason these could not be added to the public gaming menu.

It is now possible to play video and computer action/strategy games against other players online. Tournaments and prizes soon followed. If gambling is the sticking point, if poker is too hot to handle, then these true games of skill may be a very acceptable substitute. What's to prevent State sponsored action games or “competitive entertainment?” And who has a better right to do it? State sponsored gaming means revenue for education, charities, and other good causes. In a time when revenues will only tighten, why shouldn't State gaming take the lead in the new formats?

One thing is starkly clear: somebody is going to go after these new opportunities and new customers. Today over seventy countries permit or license gaming via the Internet, and the number continues to grow. Many of these nations do not require a gaming operator to keep his marketing efforts inside that country's own borders. As a result, American public gaming finds itself competing in a global market, like it or not. Staying successful in an accelerating future will be directly related to how well the new developments are absorbed... and used. ♦

Martin Owens is a California lawyer specializing in Internet and interactive gaming, and co author of Internet Gaming Law with Professor I. Nelson Rose, America's senior legal authority on gambling. Comments and questions are welcome at mowens@trade-attorney.com.



We go everywhere, every week!

Have Public GAMING International go there for you!

Modified from National Oceanic and Fisheries Association photo

Public Gaming International and The Morning Report

We reach tens of thousands of key gaming industry decision makers worldwide five times each month.

No other publication offers that kind of exposure.

Place an ad today and put us to work for you!

Contact: Raquel Orbeozo

Tel: 425.765.4119

Email: raquelpgr2@aol.com

RACINO NEWS

Casino Windsor Redevelopment Vendors Selected

The Ontario Lottery and Gaming Corporation announced a vendor selection in three key project areas of the \$400 million investment in non-gaming amenities at Casino Windsor. Following publicly-posted Requests for Proposals, OLGC has now reached agreements for services in three key project areas including Architect, Construction Manager and Cost Consultant.

Chosen as Architect is WZMH Architects and chosen as Construction Manager is Eastern Construction Company Limited. Each company is highly familiar with Casino Windsor having performed similar work on the construction of the existing facility. Pendlebury Cost Consultants has been chosen as Cost Consultant. Construction is expected to begin in May, 2005 and scheduled to be completed over a 36-month period ending in 2008. Capital infrastructure for the project will be funded through casino revenues and there will be no impact to OLGC payments to the Province.

Announced on February 14, 2005, key features of the investment in Casino Windsor include a 400-room hotel, a 5,000-seat auditorium/theatre, 45,500 square feet of space in the convention facility and 67,800 square feet of convention space in the entertainment facility. Significant renovations to the existing Casino Windsor have also been planned. Casino Windsor currently employs almost 4,300 people, and when complete, the new complex will create an additional 400 permanent jobs.

Revised Minnesota Racino/Casino Plan

A merged version of Canterbury Park's Racino proposal and Governor Tim Pawlenty's proposal to allow a Tribal-run metro area casino recently passed the Committee on Jobs and Economic Opportunity Finance in the Minnesota House of Representatives.

The modified legislation would authorize two casinos to be built at Canterbury Park's 380-acre Shakopee location, with one casino to be operated by Canterbury Park and one to be operated by Minnesota's Northern Tribes. Under the new model, Canterbury Park would be required to pay a \$150 million up-front fee to the state, which is \$50 million more than previously proposed. In exchange for the higher up-front payment, Canterbury Park would retain a greater percentage of gross gaming revenues from the slot machines and banked blackjack.

The proposal will likely be heard next by the Minnesota House Committee on Ways and Means in the coming weeks. The original Racino proposal, House File 1664, is also still alive in the House and residing in the Taxes Committee, but has already failed to pass the Minnesota Senate Committee on Agriculture, Gaming and Veterans Affairs by a vote of 10 - 4.

MotorCity Casino Purchase Finalized

Detroit businesswoman Marian Ilitch has finalized the purchase of MotorCity Casino, making her sole owner. MGM Mirage Inc. completed a \$7.9 billion buyout of Mandalay Resort Group.

To get approval from the Michigan Gaming Control Board,

MGM Mirage was required to sell its interest in either MGM Grand Detroit Casino or Mandalay's MotorCity Casino. Ilitch, who already owned 25 percent of MotorCity Casino, reached an agreement to purchase the shares of her local partners, Atwater Entertainment and Tom Celani as well as the shares of Mandalay Resort Group. The Michigan Gaming Control Board approved the agreement on April 13.

The casino has 2,800 employees, of which 53 percent were Detroit residents at the time of hiring. The casino paid \$55 million in taxes to the city of Detroit last year and \$40.9 million in wagering taxes to the state of Michigan. Ilitch does not plan on making any major changes to the current management staff of the casino.

Delaware Handicap Purse Now \$1,000,000

Bill Fasy, Chief Operating Officer of Delaware Park, announced at the track's Opening Day Press Conference for the 135-day live race meet that an additional \$650,000 will be added to the \$4.2 million already dedicated to this year's 2005 stakes schedule. The \$650,000 increase will be allocated to three specific Stakes, The Kent Breeder's Cup on June 25th, the Robert G. Dick Memorial on July 16th, and Delaware Park's signature race, the Delaware Handicap to be run on July 17th.

The Grade II Delaware Handicap will now offer a substantial prize of \$1 million. The Kent Breeders' Cup has been raised to \$500,000 from last year's \$250,000 and the Robert G. Dick Memorial will go from \$150,000 to \$300,000. "These purse increases show our commitment to quality racing at Delaware Park. By upping the ante, we will continue to attract the best horses and horsemen nationally," said Fasy.

"We are delighted to announce that Delaware Park's Festival of Racing Weekend will culminate with a live telecast of the Grade II Delaware Handicap on ESPN 2. We are excited about this telecast since it will once again showcase Delaware Park and bring the sport of horseracing to the forefront of millions of viewers."

Delaware Park's live race meet opens Saturday, April 30th, with the first post at 12:45 p.m. Live racing at Delaware Park is featured Saturday through Tuesday from April 30th to May 24th and August 2nd through August 30th. Wednesday racing is added to the schedule on May 25th through July 27th and August 31st to November 9th. The 2005 live race meet concludes Sunday, November 13th.

Hoosier Park Purse Increase

Indiana's Hoosier Park at Anderson has announced a 10 percent purse increase for its Standard bred racing program. The increase will take effect Saturday, April 23. The purse increase is the result of positive business factors as well as conservative purse account management at the beginning of the meet.

"Thanks in large part to full fields and competitive racing, we have had an increase in our simulcast signal handle during the first two weeks of the season," said Hoosier Park President and General Manager Rick Moore. "That, coupled with our conservative approach to the purse account at the beginning of the meet, allowed us to increase purses." ♦

casino
design
A G2E EVENT

**IN CASINO DESIGN, SUCCESS IS IN THE DETAILS.
AND THE DETAILS ARE IN THE SHOW.**

**June 22-24, 2005
WYNN LAS VEGAS, LAS VEGAS, NEVADA**

If you're a casino planning or development executive, an architect, an interior or exterior designer, a builder, or a developer, Casino Design is a must-attend event. You won't find a more detailed or intimate look at design and development in the gaming industry anywhere. And you won't want to miss the 3rd annual AGA Casino Design Awards program featuring the Sarno Lifetime Achievement Awards.

**Register today for this Global Gaming Expo (G2E) event.
Go to www.G2Ecasinodesign.com/AD
or call 1-800-843-5599 x5557 or 1-203-840-5557.**



An American Gaming Association Event

Organized by

Reed Exhibitions

global
gaming
expo

Video

News

Louisiana Bill Would Allow Gambling on Domestic Cruises

A bill has been filed in the Louisiana House that would allow gambling aboard cruise ships that sail the Mississippi from New Orleans to other locations. The bill would set up a seven-member "Domestic Cruise Ship Gaming Control Assistance District," which would have the same boundaries as Orleans Parish. The state would take up to 18.5% of the net win.

Louisiana currently allows international ships to gamble, but not domestic cruises. Qualifying ships would be able to accommodate more than 400 guests and sail for at least 48 hours. Gambling operations would shut down when the ship docks.

Oregon Panel Okays Retailer Cuts

Bars, taverns and other establishments with video gambling machines will receive a smaller cut of profits under a plan unanimously approved Thursday by the Oregon Lottery Commission.

Retailers with video poker machines currently receive an average 28.8 percent of the revenues. That will be reduced to 24.8 percent under the new five-year contract. The 24.8 percent rate will also apply to the new slot machine-type games that are being added this summer to the video poker machines in retail outlets that choose to offer them.

Lottery Director Dale Penn called the new payouts a compromise that will yield an additional \$124 million for the state while still providing a reasonable profit for the lottery's retailers. The Commission also endorsed a provision saying that if video sales increase by 15 percent more than the lottery's projections in the first two years, the average rate will drop from 24.8 percent to 22.8 percent.

Pennsylvania Slot Regulations Proposed

Slot-machine manufacturers and distributors would have to pay up to \$50,000 for each license, and document the identities of their financial backers and creditors under regulations proposed by the state Gaming Control Board. The board will now take public comments on the 98-page draft regulations for 30 days before taking final action. The board must issue licenses for manufacturers and distributors at least three months before it can license racetracks to operate the first slots parlors – a step not expected before December.

Fair Grounds Moves Closer to Slots

Churchill Downs Inc. has received approval from the Louisiana Gaming Control Board to operate gaming machines at its Fair Grounds Race Course. One remaining hurdle before the company can operate as many as 700 machines at the track is to receive local approval for the expansion.

WMS Gets World Series of Poker Brand for Slots

Harrah's License Company and WMS Gaming jointly announced that Harrah's has licensed the popular World Series of Poker® brand to WMS Gaming for the development, manufacture and deployment of

video poker and slot machine game themes on WMS' Bluebird® gaming devices in North American and Caribbean markets.

Pursuant to the exclusive licensing agreement, WMS will develop several unique game themes using the World Series of Poker brand, the first of which is expected to be placed at Harrah's casinos following receipt of regulatory approvals, which are anticipated in the third quarter. Under the terms of the agreement, World Series of Poker branded games will initially be available solely at Harrah's properties during an exclusivity period in each jurisdiction in which Harrah's or its affiliates operate.

Once the exclusivity timeframe in a jurisdiction expires, each game theme will be available for placement at other casinos in those markets. The agreement, which calls for the installation of a specified number of World Series of Poker branded gaming devices in Harrah's casinos, is for a period of three years with an optional two-year extension.

Aristocrat Receives Key Product Approvals

Aristocrat Technologies, Inc. announced the approval of key products in Nevada and GLI jurisdictions. The Company's Reel Power® game, Whales of Cash™, was approved by the Nevada Gaming Control Board, paving the way for additional approvals of Aristocrat's patented Reel Power low-denomination video slot games where players bet reels instead of lines. Reel Power allows all winning symbols to play as scatters throughout the screen. When all reels are played, the player has up to 243 ways to win.

The Nevada Gaming Control Board also approved Aristocrat's Magic Forest™ game, a 50-line penny slot. Aristocrat also announced the approval of its patented Super Reel Power® technology in Gaming Laboratories Inc. (GLI) jurisdictions, which include most Native American and riverboat casinos in the United States. GLI approved two Super Reel Power games – Asian Princess™ and The Game With No Name™.

Super Reel Power enhances Reel Power game play by adding additional symbols to each reel. Aristocrat's Super Reel Power allows all winning symbols to play as scatters throughout the screen, giving players 3,125 ways to win when all reels are played.

Texas VLTs Would Generate \$1.2 Billion in New Revenue

A recently released study by The Perryman Group shows that authorizing VLTs at licensed Texas racetracks would create 26,073 new jobs and contribute more than \$1.2 billion annually in State fiscal receipts. The Perryman study projects that implementing VLTs at Texas racetracks could result in substantial increases in purse winnings, acting as a catalyst for improved quality racing, higher attendance and visitor spending, and greater agricultural activity. This additional economic stimulus, combined with existing racing activity would result in more than 72,500 permanent jobs and more than \$1.4 billion annually to State revenue, of which almost 90 percent represents a net increase over current totals. ♣

on the internet

Illinois, Texas Legislating Towards Internet Sales

Illinois consumers would be able to buy lottery tickets by computer under a program recently approved by the Illinois Senate. The plan sponsored by Senator John Cullerton sets up a pilot program to try online lottery-ticket sales. The Senator says Internet sales could eventually generate as much as \$100 million in state revenue. The measure passed 32-to-24 and moved to the House where it was unanimously approved by the Illinois House Gaming Committee.

The Texas House Appropriations Committee also approved a bill that would allow Texas Lottery players to buy tickets over the Internet and pay with a debit card. It's been estimated that Internet sales of lottery tickets in Texas could generate as much as \$100 million per year for the state.

Remaining Prizes Served Up Fast and Easy @ Molottery.com

Scratchers players now have an easier way to view and compare remaining prize information for Missouri Lottery Scratchers games at Molottery.com.

Now on one list, players can compare the remaining prizes in the top four prize levels of each game, along with the total cash prizes remaining for that game, with all other games that are currently selling in retail locations. For a more detailed comparison of this information, players also can choose to sort the list by game name, number, start date or ticket price.

"We've taken the information and presented it in a new way," said Gonder. "Now players can see in an instant, which games have just started selling, are no longer being distributed to retailers or are nearing their expiration date."

"Since as many as 30 to 40 games can be selling at one time, a Scratchers player who prefers to play \$5 games, for example, can sort the list by ticket price. Once the page reloads, the list will be reorganized with all \$5 games listed together for an easy comparison," Gonder said.

By clicking on the game names in this list, players are directed to a more detailed page about that specific game. Information on this page includes all prize levels listed for that game and corresponding remaining prize information, total cash prizes won and remaining for that game, how to play instructions, a graphic of the game ticket and average chances of winning a prize in that specific game. As prizes are claimed for each game – which for most of the newer games is almost daily – each page will show the day and time the information for that game was last updated at the bottom – left corner of the page.

"Among other state lottery Web sites, this is one of the most comprehensive lists available to Scratchers players," Gonder said. "We want to keep our players as informed as possible, and we feel the Web is an excellent way to do that."

Oregon to Reorder Click&Play Slingo®

OGT announced that the Oregon State Lottery will reorder

Click&Play (Cyber) Slingo after a quick sell-out of their initial launch on January 19, 2005. The six week sell-out is credited to the interactive computer game play and the brand's popularity, placing Click&Play Slingo as the highest performing \$2 game (excluding Crossword) in the past 12 months, and boasting sales which have outperformed the #2 selling game by 65%!

Gaming Corp. Launches Mobile Service with Orange

Gaming Corporation plc, the owner of a top U.K. gaming website www.casino.co.uk, has signed a contract with Orange, to launch a fully interactive mobile cash gaming service on the Orange World WAP portal.

The service which has been developed over the past 18 months will include nine state of the art java games including Blackjack, Roulette, Stud Poker, slots and scratch cards, and will be available for both practice and real cash play. Registration and deposits can be made via the mobile handset. Age verification for cash players will be in accordance with the mobile industry's own Code of Practice, with player deposits being initially restricted to valid credit card transactions only. In addition maximum bet sizes, daily limits on user deposits and advice on cash gaming will be available in order to help prevent irresponsible usage.

EGET Introduces Mobile Lotto

EGET has added mobile lotto to its lottery product line. The game, available in Instant, Traditional and Scheduled Lotto versions, was demonstrated at the recent China International Lottery Technology & Equipment Expo, 2nd - 4th April 2005.

EGET has also invested in adding some extra features for further game appeal for both the operator and the player. The operator has the possibility to include a progressive jackpot in the win table and the player can save his/her favorite numbers, so as to have the winning combination always ready. In addition, double payoff round and a Joker game can be included, resulting in further excitement and extra wins.

EGET's mobile lotto runs on the WinOne™ Mobile Platform, which operates in conjunction with EGET's WinOne™ Gaming Platform or with any other gaming platform, making this offer extremely flexible.

Chartwell Teams with Bingo.com

Chartwell Technology Incorporated and Bingo.com announced that Chartwell has been selected as Bingo.com's official supplier of its cash gaming system. Due to the recent positive regulatory movements (UK Gambling Bill), Bingo.com has decided to take advantage of its brand and dominant position in the free online bingo industry to diversify its business model and enter the play for cash bingo market.

Under the terms of the license agreement, Chartwell will provide Bingo.com with its gaming system, offering players the experience of flash based 75 and 90 ball bingo games, complete with chat features and the opportunity to play Chartwell's full suite of soft games which are offered as side games or intermission entertainment. ♦

People



Donna VanCleave, former director of finance for the Virginia Lottery, will be the new interim executive director of the state gaming agency effective June 1. VanCleave, a Virginia Tech graduate, joined the Lottery in 1997 as a budget and planning manager. She replaces **Penelope Kyle**, who is succeeding **Dr. Douglas Covington** as president of Radford University.

GTECH announced that Executive Vice President and Chief Operating Officer **David J. Calabro** has elected to retire from the Company effective May 15, 2005. In making the announcement, GTECH President and Chief Executive Officer **W. Bruce Turner** said, "Since his arrival over six years ago, Dave has played an important role in helping GTECH to re-gain and maintain its leadership in the lottery industry. His contributions have been significant and much appreciated. We all wish him well in his future endeavors." It was also announced that Mr. Turner will assume Mr. Calabro's responsibilities.

GTECH also announced the appointment of **Bruce Rowe** as Corporate Vice President of Business Strategy, Gaming Solutions, and General Manager of Nevada Operations. In this role, he will help develop and oversee the long-term strategic direction of GTECH's Gaming Solutions division, and will lead GTECH's global market-requirements process, content development, brand licensing, and product positioning for the government-sponsored and commercial gaming industry. In addition, he will head up GTECH's Nevada operations to strengthen the Company's presence and develop business opportunities in the region. Prior to joining GTECH, Mr. Rowe was a senior executive with Harrah's Entertainment, Inc., for 23 years.

JCM American has named **Tracie Feeley-Graf** Marketing Communications Manager. In her position, Feeley-Graf will oversee JCM's marketing efforts for gaming, vending and other business initiatives. Prior to coming to JCM, she was Director of Advertising for Sam's Town Hotel & Gambling Hall in Las Vegas. She has also served as Advertising Director for Mandalay Bay Resort and Casino and as Marketing Manager for Excalibur Hotel/Casino. She has also held positions as Account Manager for R&R Partners and as Assistant Account Manager at Stations Casinos. She holds a B.S. in Marketing from the University of Nevada, Las Vegas.

Krister Bergström, Senior Vice President at Boss Media AB has decided to resign from the company to start his own business. He will continue to serve as a consultant to the company, working primarily with strategic development projects. **Eric Matsgård** will assume the position of Senior Vice President Marketing and Sales at Boss Media and will also be a member of the executive management team. Most recently, Eric was employed at Accenture in Sweden.

Lottery Dynamics LLC announced the signing of **Tim Green** to the position of Vice President International. Green, who is based in London, has served since 2000 as a Board Director of PIMS-SCA, a leading-edge insurance brokerage firm that has

provided coverage for many of the key gaming companies in both the United States and Europe including *Grab.com*'s billion dollar online lottery.

The Hoosier Lottery would like to welcome **Jean Northenor**, **Todd Stuart** and **Paul Thrift** as the newest members of the Indiana State Lottery Commission. They will join current commissioners **Richard Darko** and **Michael Gouloff** to round out the five commission seats. Northenor will serve as the Chairwoman of the Commission. Northenor is a retired former bank executive for Lake City Bank. Prior to that, Northenor served two terms as the Kosciusko County Auditor, and also served as the first female commissioner for the Indiana Bureau of Motor Vehicles. Stuart is VP of Stuart's Moving and Storage Inc. Stuart also sits on the current Board of Directors for the National Bank of Indianapolis. Thrift is president of Thompson-Thrift Construction and has served as a board member for several civic affiliations.

Paltronics Inc hired **Mark Wiedemer** as vice president of sales to oversee all domestic and world wide sales expansion, including new business development in the United States and overseas. Wiedemer brings over seventeen years of experience in strategic sales planning, serving most recently as the director of sales for Bally Gaming and Systems.

J. Michael Downey has been named the new CEO of Owner Revolution Inc. and its subsidiaries Schafer Systems Inc., Connect-A-Dock Inc. and Plastic Professionals Inc. He replaces former CEO **Victor Aspengren** who resigned to pursue other interests. Downey has been closely associated with Owner Revolution Inc. for the past five years as a member of its Board of Directors. Downey holds a degree in Industrial Engineering from Iowa State University and a law degree from the University of Iowa. He also serves as chairman and CEO of HandEra, Inc., an Iowa based engineering company that specializing in contract engineering services and handheld computer solutions for industrial applications.

Yobet.com announced that **Roger H. Licht**, former chairman of the California Horse Racing Board (CHRB) and a prominent horse racing legal expert, has agreed to become a member of the company's independent wagering compliance committee. Licht, who served on the CHRB for three years and was Chairman in 2003, is credited with expediting the initiation of advanced deposit wagering (ADW) in California, a move that has since helped to boost fan interest in the state's horse racing products. Licht, an active owner, breeder, fan and student of thoroughbred race horses, also served on CHRB's Simulcasting Committee.

Yobet.com has also named **Christa S. Myers** vice president of strategic marketing. Myers, who has extensive experience in online, direct and database marketing with major gaming organizations, will oversee the coordination of all marketing functions at *Yobet*. She has been charged with developing data-driven marketing initiatives to increase revenues from *Yobet*'s new and existing advanced deposit wagering accounts. ♣

California

The California Lottery Commission moved the Lottery one step closer to launching the multi-state Mega Millions lotto game in California by unanimously approving the game's rules and regulations. The Commission approval opened the door for a Lottery task force to receive the Mega Millions lotto game software in mid-May. Once received, the task force will put the software through a series of rigorous tests to ensure that it meets the highest level of security and reliability. Lottery officials estimate that the Mega Millions game testing could take a minimum of 4 weeks. If all goes smoothly, and the game software meets California's standards, the Lottery will then announce the official Mega Millions launch date.

DC

The D.C. Lottery made its debut on 75 cabs throughout the city. The displays feature the latest Powerball jackpot totals as well as the date of drawings. D.C. Lottery will be able to post updates almost instantaneously via wireless technology.

Georgia

The Georgia Lottery Corporation announced the reprint of its instant game \$100 Million Cash Spectacular. It's the exact same game with the exact same number of winners and the exact same odds. Georgia Lottery players can look forward to 10 additional \$1 million top prizes and the highest payout percentage in GLC history. The \$10 game offers over \$118 million in new cash prizes. Tickets are now arriving at retailer locations. To date, Georgia Lottery players have won more than \$113 million playing \$100 Million Cash Spectacular with eight \$1 million top prizes claimed.

The Georgia Lottery also unveiled the Fantasy 5 Getaway, a new statewide promotion held in conjunction with the relaunch of Fantasy 5. Georgia Lottery players can enter a second-chance drawing with \$5 worth of non-winning Fantasy 5 tickets for a chance to win one of 25 fantasy vacations. The Lottery, in partnership with AirTran Airways and Crowne Plaza Hotels & Resorts, will give away five fantasy vacations each week for five consecutive weeks beginning in May. Each week will feature one of five different fantasy destinations including: Los Angeles, Calif.; West Palm Beach, Fla.; New Orleans, La.; New York, N.Y.; and Hilton Head, S.C. For more information, please visit the Media Center on the GLC Web site at: www.galottery.com

Illinois

The Illinois Lottery is adding a Monday Lotto drawing on top of the existing drawings on Wednesday and Saturday, and it will also be launching a brand new \$20 instant ticket called "\$50 Million Spectacular." A first of its kind ticket in Illinois, "\$50 Million Spectacular" will have the best odds and biggest prizes of any Illinois Lottery instant ticket, providing players with 25 different chances to win one of three \$2 million top prizes. Currently, the largest prize available on an instant ticket in Illinois is \$1 million.

The Illinois House voted to create a new scratch-off lottery game

and give the profit to veterans' programs. The idea passed 63 to 53. It now goes to the state Senate.

Kentucky

The Kentucky Lottery has been named one of the "20 Best Places to Work in Kentucky". The designation has been awarded by the Kentucky Society for Human Resource Management (SHRM) state council, in conjunction with the Kentucky Chamber of Commerce. The selection process, conducted by Best Companies Group, was based on an assessment of the company's employee policies and procedures and the results of an internal employee survey.

Michigan

The Michigan Lottery brought Matt Kenseth, NASCAR's 2003 Winston Cup Champion, to Great Lakes Crossing shopping center Wednesday, April 27 to help launch the Lottery's new Raceway Riches instant game. Kenseth greeted fans and officiated over six indoor races around the mall's food court. Raceway Riches, which went on sale April 25, features five instant tickets bearing the likenesses of NASCAR drivers Kenseth, Greg Biffle, Mark Martin, Jeff Gordon and Jimmie Johnson. In addition to the chance to meet NASCAR's Kenseth, fans got to see Jeff Gordon's #24 Chevrolet and authentic NASCAR memorabilia.

Michigan Lottery retailers and players will soon notice a small but significant addition to the back of instant game tickets. Beginning with the Raceway Riches in late April, instant tickets will carry the words "Printed in Michigan". Actually, instant tickets have been printed in Michigan for many, many years, and the Lottery feels its appropriate to share this information because by printing the tickets in-state, the Lottery supporting Michigan's economy and creating jobs. The Lottery's printer, Pollard Banknote, has a facility in Ypsilanti which employs approximately 220 people who print tickets not only for the Michigan Lottery, but for several other Lotteries across the U.S.

North Carolina

The North Carolina House voted 61-59 in favor of a bill that would create an education-funding lottery. It's been estimated that a Lottery could raise as much as \$400 million a year for the state. The bill now heads to the Senate.

Ohio

The Ohio Lottery recently added a second barcode to the top of all on-line tickets, allowing customers to easily play the same numbers again. Retailers who scan the Play-It-Again barcode can generate a new ticket with the same wager information, good for the next scheduled drawing. This "repeat" feature was designed to speed up terminal transactions. GTECH, Ohio's on-line gaming system vendor, developed Play It Again after Ohio Lottery retailers requested a faster way to process wagers during Town Hall meetings a couple of years ago. Since introduced in October 2004, nearly 11 percent of all on-line wagers are generated using the Play-It-Again feature.

Ontario

The Ontario Lottery and Gaming Corporation recently strengthened its commitment to reduce the risk of problem gambling through the launch of its Responsible Gaming Code of Conduct. The Code is based on three overarching elements: (1) Deepening OLGC's corporate commitment to responsible gaming, including investing in staff resources to ensure responsible gaming policy is translated into practice. It also involves an ongoing commitment to test and develop new programs, as well as validate their results through independent measurement and research. (2) Enhancing OLGC's customer information and education programs. According to OLGC, an example of this commitment is its province-wide advertising campaign, launched earlier this month, which dispels myths about odds and outcomes, and informs players about how games operate and their real chances of winning and losing. (3) Identifying and developing programs and policies that improve upon OLGC's responsible gaming environment. This includes the launch of innovative initiatives at OLGC facilities, such as enhanced employee programs, and the lottery retail network to better respond to those who require assistance. OLGC also outlined its plans to implement its first Responsible Gaming Information Centers at Casino Windsor and Fallsview Casino Resort by the fall. The Centers will be operated by independent problem gambling counselors who will assist the at-risk gambler and promote responsible gaming practices.

Tennessee

The Tennessee Lottery announced a new online game called CASH 4. Tickets for CASH 4 range between 50 cents and \$1, while prizes range from \$100 to \$5,000 each day. The nightly draw-

ings will be televised at 6:28 p.m. CT. Players select a four-digit number and one of 13 ways to play the game. Winning numbers will be announced as balls are drawn from four separate machines. Each machine contains 10 balls numbered zero through nine. CASH 4 is the lottery's fourth computerized game – along with CASH 3, Powerball and Lotto 5. The Tennessee Lottery also offers more than 35 instant ticket games.

Virginia

It's going to be a hot Spring in Virginia! In fact, Hot, Hot, Hot is the name of the Virginia Lottery's newest retailer incentive program, running April 25 - June 19. By utilizing the Lottery's new dispenser, specially selected for displaying the four "Family of Games" scratcher tickets during the entire eight-week period, a retailer will earn a \$50 placement bonus. In addition to the placement bonus, retailers will also be eligible to receive a 2% bonus selling commission and 1% bonus cashing commission on these four hot scratcher games. A goal of the program is to raise commission on the "Family of Games" scratchers in order to introduce the concept to Virginia Lottery retailers and players.

As fiscal year 2005 draws to a close, Virginia Lottery retailers are also racing to the finish for a chance to share in a pot worth half-a-million dollars. The top 1,000 retailers, measured by April 1 - June 30 scratcher sales, will share \$500,000 in the Lottery's fourth quarter "Race to the Finish" retailer incentive program. How much each retailer earns is directly proportional to how much that retailer sells during the promotional period. The objective of the incentive is to keep retailers focused on scratcher sales as they help the Lottery race to the finish, trying to beat the competition to the checkered flag! ♣

A Look Ahead at 2006 Growth ...continued from page 7.

New Products: Other than the re-vamped Powerball game which we're eagerly anticipating, we'll continue to look for new and exciting games. I anticipate changes to some of our other online products as well during FY '06, along with the possibility of a new game early in the fiscal year. We're always studying what other jurisdictions are trying, and we look to bring advanced games to our players that they'll enjoy.

FY06 -vs- FY05: We're still trying to digest the complete impact of the Tennessee Education Lottery start-up, since we used to sell anywhere from 15% to 20% of our tickets to Tennesseans. Even though our sales were significantly higher than expected in FY '04 (\$725 million), we're now starting to realize some of the sales losses we'd been anticipating. While our current year sales won't match what we accomplished in '04, we recently raised our FY '05 projections from \$665.8 million to \$698 million. We do anticipate modest sales growth in the neighborhood of 3% to 4% in FY '06, so we're excited to grow our sales ahead of

where we projected in light of increased competition.

Robert Tirloni, Products Manager, Texas Lottery Commission

Areas of Growth: There is tremendous room for growth in the on-line side of our business, however, in order to achieve that growth, new product development is necessary to complement the traditional jackpot driven products that currently exist. Without new on-line product development, instants will continue to drive growth in FY '06.

New Products: At the time of this writing, we don't have any new product introductions finalized for FY '06. The Texas Lottery does aggressively review its product mix on a regular basis.

FY06 -vs- FY05: Our aggressive instant game schedule with new price points, play styles and themes should continue to generate the instant sales levels we are currently experiencing. ♣

G2E isn't just **THE BIG SHOW** in gaming.
It's **THE BIG PICTURE.**



September 13-15, 2005 | Las Vegas Convention Center
September 12, 2005 | G2E Training & Development Institute

Now in its fifth year, G2E continues to grow to meet the evolving needs of gaming executives from around the globe. The premier international gaming event in the world, G2E presents the latest ideas and trends in gaming, as well as the newest products. It also examines all aspects of the industry and how they add up. Because the more you know about how your industry works, the more your work is likely to succeed.

Get the big picture. Register by August 29 and enjoy discounts to the Show and Conference. Visit us online at www.globalgamingexpo.com/AD to register and for information about great travel deals and special packages for international attendees. Or call **1-888-314-1378** or **1-203-840-5626**. To exhibit, call **1-203-840-5341**.



An American Gaming Association Event

Organized by



Add these games. Multiply your sales.

Multi-Hand Easy Win™ (MHEW) (patent-pending)

Sells at higher price-point

Match numbers straight across 3 lines for 3 ways to win
and
Combine number matches from all 3 three lines for another way to win



In this example, player wins 3 of 6 match on line 1 **and** 6 of 18 match for another win.

PENNSYLVANIA LOTTERY - Match 6 Lotto

MHEW Sales (2004)	Wkly Per Cap (2004)	Previous Lotto Game Sales (2003)	Wkly Per Cap (2003)
\$121.9 million	\$0.21	\$88.8 million	\$0.15

DELAWARE LOTTERY - Multi-Win Lotto

MHEW Sales (original goal)	MHEW Sales (since January 2005 launch/ first 9 weeks)
\$65,000 per draw	\$70,000 per draw

Multiplier / Group Participation™ (patented*)

A separate draw or wheel spin determines **multiplier** (2x, 3x, 4x or 5x) at time base draw is conducted.

Here, player pays \$10:

- \$1 per play for each base game
- Extra \$1 per play to activate **multiplier**



In this example, player wins 4 of 5 match on line B **and** multiplies prize by 3 times.

SOUTH CAROLINA EDUCATION LOTTERY

Palmetto Cash 5 with Power Up

Average weekly sales of game without multiplier in CY04	Average weekly sales of game with multiplier since launch (first 7 weeks)	Approximate Increase
\$407,000	\$870,000	114%

MARYLAND LOTTERY - Keno Bonus

Group Participation Playership in 1999 (at launch)	Group Participation Playership in 2005 (since January)	Average Wkly Sales
26%	50%	\$5.3 million for base game; additional \$2.5 million per week with multiplier component

Sales above in U.S. dollars and accurate at press time.



SCIENTIFIC GAMES

DELIVERING SERIOUS FUN!

www.scientificgames.com

Offer your players more excitement with more ways to play and more ways to win.

Contact Amy Hill at +1-770-664-3700 for more information on how these and other new online games can multiply your lottery's sales and revenue!

*Patented in the U.S. and Australia. Additional patents pending.