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Bruce Turner on the New GTECH



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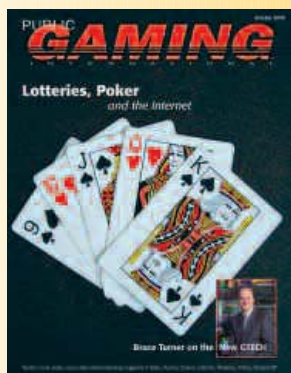
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Bruce Turner

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Letter from the Publisher

By Paul Jason, CEO, Public Gaming Research Institute

Welcome to NASPL. Public Gaming Research Institute has been serving the world lottery industry for over 35 years. PGRI's focus has always been on helping the lotteries, helping the companies that serve the lotteries, and helping all of the people who serve this industry. Many of you know the founders of PGRI, Duane and Doris Burke. Duane and Doris retired in August and turned PGRI over to their daughter, Susan, and myself. Susan and I are honored to follow in their footsteps and will be dedicated to continuing their tradition of helping this industry grow and prosper. I want to thank you for welcoming us into the industry, especially those who have been kind enough to share their thoughts with me thus far. I look forward to meeting with many more of you at the NASPL conference in Chicago and the WLA conference in Singapore.

I hope you find the topics we explore in this NASPL issue interesting. Poker is both a wildly popular game and a cultural phenomenon. Even though there are regulatory constraints, innovative suppliers are developing strategies and products that leverage the popularity of poker. Great contributing editorial from MDI and GTECH describes how poker can be an important part of a lottery's product mix.

We are pleased to have Bruce Turner share his thoughts and perspectives on the new GTECH. Also, see the article on retailer incentives featuring a sidebar interview with NACS, the National Association of Convenience Stores, offering feedback on what we can do to better engage the retailers' focus and motivation to promote lottery products. The lottery scam article addresses our need to protect the vulnerable consumer from fraud, and preserve the image of integrity that is so important to us in our industry.

My impulse is to stick my chin out and emote about all the issues, challenges, and incredible opportunities confronting our industry. Instead, I will heed Mark Twain's caution, "better to remain quiet and be thought a fool than to actually speak and remove all doubt." But, I do look forward to listening, learning, and contributing in whatever ways I can.

A special thanks to our advertisers, whose support we depend upon. And a very special thanks to all of the professionals working in state and provincial lotteries whose dedication to public service is profoundly appreciated and respected.

Please visit our website at www.publicgaming.org. We are beginning to update it and improve the way in which lottery news is organized and made accessible to you. We are trying to make it easier and more efficient to quickly identify the stories you want to read more about. The process of changing and improving the website, and all of our products, will never end. I very much look forward to working hard to earn your support. And I encourage you to give us feedback as to how we might improve, deliver a better product, and contribute more to your goals. Thanks! ♣

Paul Jason
CEO, Public Gaming Research Institute

P.S. Doris and Duane have asked me to send you their regards, to express the hope that you are doing well and to assure you that they have adjusted to retirement and are enjoying it.





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Industry News



Intralot Signs with Idaho

Intralot USA signed a \$30 million contract to supply a new central online lottery system for the Idaho Lottery. The seven-year contract, which has a three-year extension option, is due to start operating on Feb. 19, 2007. Intralot will install 1,200 Coronis terminals at retail locations, as well as software and related services. It will also install a satellite network to link retailer terminals to the central gaming system.

Pennsylvania Chooses Scientific Games

Pennsylvania Secretary of Revenue Gregory C. Fajt announced that he has selected Scientific Games International to supply instant game services to the Pennsylvania Lottery. Fajt said the department will immediately begin negotiations with Scientific Games on a five-year contract, with up to five, one-year extensions.

MDI's "Deal or No Deal" Count Jumps to Thirteen

With the mega-hit "Deal or No Deal" game show launching in September, 13 North American Lotteries are now producing, or have already printed, instant tickets to cash in on the popularity of the show.

In breaking into its second season, "Deal or No Deal" ran the first four episodes in its first week beginning September 18, with a top potential prize of \$6 million. Network advertising for the new season is prevalent throughout all NBC television day parts.

"Deal or No Deal" is offered to lotteries exclusively through MDI Entertainment, a wholly-owned subsidiary of Scientific Games Corporation. MDI announced its agreement with the show's production company, Endemol International on June 23.

GLI Receives ISO Accreditation

Gaming Laboratories International (GLI) is the first private gaming test laboratory to be granted ISO 17025 and 17020 accreditations by the American Association for Laboratory Accreditation (A2LA). A2LA's goal is to verify whether or not GLI is following its procedures correctly. After the appropriate assessments were made A2LA granted GLI ISO 17025 accreditation for meeting the proper lab requirements and ISO 17020 accreditation for meeting the proper field inspection requirements.

GLI is the only testing laboratory for the gaming industry in the United States that has been accredited to ISO 17025 and 17020.

KEBA Order in Spain

Keba received an order for 2,200 lottery terminals from the Spanish STL (Sistemas Técnicos de Loterías del Estados, S.A.), which operates the approximately 10,000 lottery terminals throughout Spain on behalf of the Spanish lottery company O.N.L.A.E. STL is responsible for both the technical operation and maintenance of the terminals. The software development/service as well as the upkeep of the network infrastructure of the state lottery company are also included among the range of tasks of the company.

Pollard Debuts Parntership with Maryland, Signs with Manitoba

The Maryland Lottery recently launched its first set of scratch-off tickets under a new contract with Pollard Banknote. \$10,000 Jacks, Flamingo Bingo Doubler, Super Red Hot Crossword and Cash Casino Double Play® are now available to players at Lottery retail

locations throughout the State. The tickets span the \$2, \$3, and \$5 price points and boast top prizes of \$10,000, \$40,000 and \$50,000 respectively.

Cash Casino Double Play® is offered in response to the success of the Lottery's previous Double Play® tickets from Pollard. Each Cash Casino ticket features casino scratch-off games on the front and pull tabs on the back. The Lottery's new four-year contract, with a three year renewal option, for Instant Ticket Games and Related Services with Pollard Banknote took effect in July. Under the contract, Pollard will assist the Lottery with overall operation of its Instant Ticket program, including ticket design, production, security, delivery, and marketing and sales support.

Pollard was also recently awarded a contract to design and manufacture pull-tabs for Manitoba Lotteries Corporation. The new contract, worth about \$4.2 million (CDN) in total, has an initial term of three years plus two optional one-year renewals. Pollard Banknote expects to produce and deliver up to 75 million pull-tabs tickets each year, which will be sold at MLC Casinos (Club Regent and McPhillips Street Station) as well as Lottery Ticket Centers, bingo halls, hotels, and legions across the province.

ESI Contracts with Intralot

ESI Integrity Inc. has entered into agreements with Intralot to supply its Independent Control System (ICS) to the Magnum 4D Lottery (Malaysia), the Public Welfare Lottery of Taiwan, and the Idaho State Lottery. The Integrity license agreements plus related services are cumulatively valued at approximately US \$1.4 million over contract terms of six to eight years.

Under the terms of the agreement the ESI Integrity system will provide continuous monitoring of the lotteries wagering transactions, providing an independent, real-time audit of the wagers and prize calculations. In addition, ESI Integrity will administer product release updates and supply continuous technical support to the lotteries. ♦

Online Product Manager

The Illinois Lottery is looking for an **Online Product Manager** responsible for the management of nearly \$1 billion per year online game portfolio. This position requires: Ideally, experience in Lottery product management and operations, specifically, online games. Excellent knowledge of computer systems, hardware, and software; Ability to direct Lottery's online game vendor, currently GTECH, in the execution of all facets of the online game system throughout over 6,000 retailers. Insure complete adherence to vendor contracts. Analysis of sales data and trends, compilation of reports; Development of prize structures; Execution of promotions through terminal system; Development of new online games to insure long-term growth of the Lottery. Excellent communication and analytical skills, creativity, energy, detail oriented, and unimpeachable integrity.

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Lotteries, Poker and the Internet

In the last few years Poker has become an international phenomenon. The televising of the World Poker Tour, and now several poker-related TV spin-offs, have solidified the game within the 18-34 market.

One only has to type the phrase “online poker” into Google to get an idea of how big the poker phenomenon has become. On September 13, 2006 such a search revealed 120 million sites. Just to give an idea of how “online poker” stacks up against other gaming searches, a search of “online sportsbetting” revealed 52 million sites, “online horse betting” had 13.3 million sites, and “online lottery” revealed 65.9 million sites. Only “online casino”, with 139 million sites topped the online poker search. The word “poker” by itself drew up 216 million sites.

The popularity of poker is not news for the vast majority of lottery industry executives. The fact that poker holds such appeal to the 18-34 market, the very market that seems less than interested in lottery products, has many industry executives searching for ways to latch onto the coattails of the poker boom.

Vendors have stepped up to the plate to launch poker-themed games that can be offered by most lotteries (see sidebar below), some of which have been very successful. Still there's no denying that these games have been but drops in the proverbial poker bucket.

A New Development

In July, a piece of federal legislation may have opened an opportunity for lotteries to be the sole legal providers of Internet poker in their jurisdictions. The Unlawful Internet Gambling Enforcement Act, passed by the U.S. House of Representatives in July by a vote of 317-93, would make it illegal for banks and credit card companies to make payments to online gaming sites. While such a law would shut down most gaming sites, the bill exempts horseracing and lotteries. After passing the House, the bill headed for the Senate, where it has sat, mostly idle, since July.

Due to the vague nature of Internet gambling law, it's impossible to

get an accurate read on how many U.S. citizens place Internet poker wagers, but experts estimate the number falls somewhere between 15-20 million. One can't discount the fact that a lottery's trustworthy reputation would go a long way towards convincing a good number of these Internet poker players that the safest venue in which to pursue Internet poker is within the confines of its government-sanctioned site.

When drafting laws concerning Internet gambling, lawmakers have to consider how to best protect their citizens from the realities of that industry. Given the wide-open nature of the Internet, it is extremely hard, if not impossible, to keep players in any jurisdiction from partic-

Poker Options for NASPL Lotteries: Poker Tournaments

In May 2006, the British Columbia Lottery Corporation (BCLC) hosted the Pacific Poker Shootout, which offered four days of Limited Texas Hold'em Shootout play at Cascades Casino, with an estimated prize pool of \$350,000, including approximately \$100,000 to the last man standing. The tournament also allowed the top 14 finishers a shot at the 2nd annual B.C. Poker Championships. A \$500 buy-in and \$50 registration fee was required to take part in the tournament, which allowed a maximum of 700 participants.

This fall, BCLC will be presenting the 2nd Annual B.C. Poker Championships, an entire week of tournament play and a mountainous prize pool estimated at \$3.5 million – the biggest prize pool in Canadian poker tournament history!

The event will take place at River Rock Casino Resort where one player will walk away with the top prize of \$750,000! November 20 will see a pot limit Omaha Hi/Lo Split event, November 21 will be

the day for a pot limit Texas Hold'em event, and the no limit Texas Hold'em event will be held November 23-26.

Pocket Poker EGC

In August 2006, the Iowa Lottery introduced a new “Pocket Poker” version of its Electronic Game Card (EGC) product. Players press the “Deal” button on the front of the card to reveal 4 cards, then “Deal” again to reveal the last card in the hand. If the hand revealed matches a hand in the Points Legend (Royal Flush, Straight Flush, Four of a Kind, Full House, Flush, Straight, Three of a Kind, Two Pair or a Pair) they win the points shown for that hand. Each Pocket Poker EGC comes with 80 plays.

In its first 47 days, Pocket Poker sales reached \$435,860 in Iowa. Game sales more than doubled every week (from first week sales of \$9,440) for the first four weeks before (at least temporarily) leveling off.



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ipating in an online activity that they love. Allowing a lottery to sell games via the Internet can't prevent players from within that jurisdiction from gambling on an illegal site based in a foreign country, but it can provide the citizens within that lottery's jurisdiction a safe, regulated alternative. At the same time, technology does exist to ensure that players outside a lottery's jurisdiction are not allowed to partake in that lottery's Internet games. In this way a lottery can ensure that it doesn't become part of another jurisdiction's Internet problem.

Legality of Online Poker

Can lotteries really offer Internet poker? Would legislation have to be changed to make it possible? Some jurisdictions aren't even allowed to offer casino-themed games on instant tickets. In many, if not all U.S. jurisdictions, lawmakers would have to pass legislation to allow lotteries to offer poker-styled games.

There's also the issue of legalizing Internet gambling. Just because federal law might allow lotteries to offer games over the Internet doesn't mean a specific state would allow it. Some states, in an effort to clear up the "gray language" of the Wire Act in relation to Internet law, passed legislation outlawing Internet gambling within its borders.

During an EXPO/ILAC 2006 panel dealing with the potential of Internet gaming, MDI Vice President Bob Kowalczyk commented, "It's interesting that when we're talking about what lotteries aren't doing on the

The Origins of Poker

While the Chinese and Egyptians both developed games with similarities to poker, the first confirmed version of a game directly related to poker emerged in Spain during the 16th century. The game, Primero, involved three cards being dealt to each player. Betting and bluffing were essential game elements.

By the 17th century, Primero had evolved into a French game called Poque, and a German game called Pochen. Poque was exported to the New World where it quickly spread in popularity.

The earliest mention of the name Poker came in 1834, when Jonathan H. Green wrote about a "cheating game" being played on Mississippi riverboats. It's unclear why Green dubbed the game Poker. In addition to the obvious similarities to the French "Poque" and German "Pochen", Green's reference to Poker as a "cheating game" brings in the possibility that the name Poker derived from "poke" – a slang term used at the time by pickpockets. ♦

Internet or who's fighting lotteries on the Internet we talk about congress and Internet organizations, but when we talk about video lottery we talk about forces within a state. It seems to me there are a lot of forces within the state that lotteries have to reckon with, in respect to where we go on the Internet.

Poker Options for NASPL Lotteries: Poker Tournaments ...continued from page 8

Poker Themed Instants

MDI's poker themed brands for instant tickets include World Poker Tour, World Series of Poker, Celebrity Poker Showdown, and the rights to the Texas Hold 'Em Poker play style. Read more on MDI's poker-themed instants on page 18.

In addition to the poker-themed games, MDI has also developed a Lottery Hold 'Em Tutorial, a new user-friendly website to explain the lottery poker games and enhance a player's experience. Four U.S. lotteries – Massachusetts, Michigan, Ohio and Tennessee – currently offer a version of the interactive website to the public.

Oberthur Gaming Technologies offers 12 poker-themed instant ticket options: World Championship Poker, Championship Poker, Minnesota Hold 'Em, Badger Hold 'Em, Texas Hold'Em Poker, Hold'em Poker, Friday Night Poker, Poker Night, \$75,000 Poker, Draw Poker, Poker Showdown, and \$50,000 Poker Night. Thirteen U.S. and Canadian lotteries have launched OGT's various poker themes.

World Championship Poker became a top-selling \$5 brand in Maryland, Rhode Island, and Vermont, with the game being Vermont's all-time best selling \$5 ticket. Minnesota Hold 'Em was Minnesota's second highest performing \$5 game.

Pollard Banknote offers two poker themes for instant tickets: Roll 6 Poker and Texas Hold 'Em. To date, Kansas, New Jersey and New York lotteries have launched a total of five games incorporating Pollard's

poker themes, with a sixth launch likely to occur in July 2007. Four of the five games have seen sales average \$120,000 per week (*stats are not yet available for the fifth game*).

Poker Themed Monitor Games

GTECH offers a poker-based monitor game, Club Poker, that is being launched by the Kansas and Rhode Island Lotteries. You can read more about Club Poker on page 16.

Scientific Games has developed a Texas Hold 'Em poker-themed monitor game. Like other monitor games, it operates on a Keno matrix, but unlike Keno this game unfolds just like the real Texas Hold 'Em poker game. It deals the "Flop," the "River" and the "Turn" cards (*which are terms used in the table game*), and these five community cards are used with each hand's two dealt cards to determine the winning hand.

Internet Poker Applications

Intralot's B-On Platform, a 2006 PGRI Lottery Product of the Year, among its many qualities, allows lotteries to offer online poker. In B-On games competition is a major aspect. Multi-player games enable players to bet against each other and participate in cash competitions, like poker game competitions, skill games, person to person competitions and tournaments.

B-On "Metagame" elements create a "game around the game" that increases player's interest. For example, an online card game can be combined with a social interaction through chatting. ♦





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There are governors who are very sensitive about Internet, there are attorney generals who are very sensitive about what we do on the Internet, there are in my experiences, lottery legal counsels who are very concerned about doing anything on the Internet. So there are bases a lot closer to home that we need to touch and persuade over making comfortable this new channel."

Of course, there's an even bigger issue at hand. Will this Internet gambling bill, if passed, even apply to Internet poker? Is poker gambling?

The State of Washington is very clear on this issue. SB 6613 makes it a Class C felony for Washington residents to place a bet, including a poker wager, online. Rather than using this legislation as a means to "set the table" to allow Washington's Lottery to offer Internet products, two letters from Washington State Senators stated that SB 6613 clarifies that the state lottery may not use the Internet in any gaming related activities.

Still, Washington State is one example, and as Bob Kowalczyk pointed out, this issue will eventually be meted out on a state-by-state basis.

For gambling to take place, a player must place a bet on a random event where there is an element of risk, the skill of the player is not material to the player winning and the payoff is determined in part on the total waged amount. Whether something contains an element of risk and whether the skill of the player is material to the outcome is, on many levels, a matter of judgment.

Some hardliners argue that poker, under the above definition, is

not gambling, but a game of skill. The moderate poker proponents take the more reasonable position that skill is such an essential element to the outcome of a poker game that it **HARDLY** constitutes gambling for a highly skilled player.

While there's no doubt that there are highly skilled poker players out there that could, in the course of an entire evening, clean the pockets of just about anyone reading this magazine, the real question is, how heavily should this factor into the legitimacy of the need for regulation of Internet poker?

There's definitely a skill element to poker, but every hand is subject to the luck of the draw. With Poker, in any given hand you have a chance to beat the best player in the world – something you don't have a chance of doing in truly skill-based activities. No matter how good a poker player is, he or she may not be dealt the necessary cards, and may not be able to bluff his or her opponents into folding.

In the realm of Internet poker, especially on a highly regulated site with daily limits and no pressure to allow the house or other players a chance to win back their losses, just as with any game of chance, any player could, regardless of skill level, with a dose of luck and the application of common sense, walk away with a win.

Can Lottery-Run Internet Poker Succeed?

On March 30, Svenska Spel, the Swedish National Lottery, became

Sounding Off!

Could the passage of the Unlawful Internet Gambling Enforcement Act pave the way for U.S. lotteries to offer Internet poker?

Tom Little

President & CEO, Intralot USA

"I have made the comment many times at lottery conventions and shows that our industry needs to keep up with technology. Technology today is moving forward at break-neck speeds, and lotteries in general are always very late adaptors to any type of new technology.

The new players that are entering our market place were born in 1987. These players are more interactive oriented and not as easily drawn to traditional lottery gaming. Intralot's b-On platform was created to appeal to this new group of players as well as the established player groups. The b-On product allows for 'any game – any time – any where'. The b-On platform allows lotteries to ride the wave of very popular games such as Texas Hold'em poker. Texas Hold'em poker is sweeping the nation, and the lottery industry should take advantage of its popularity and implement these types of games. I feel that it is only a matter of time before lotteries adapt this new technology in order to reach more players now and into the future."

Jack A. Boehm

Retired Lottery Executive and Vendor Management

"My personal belief is that most legislative bodies WILL NOT want to expand gaming onto the Internet regardless of how enticing this may be

to Lottery Directors, etc. The risk of expanded gaming without strict controls on age participation and the risk of over spending an account, far outway the act of not allowing it to begin with. While this may seem like an open door for more gaming it is the general public that will have to make their voices heard as to how this will be implemented in each State.

Second, almost ALL States with Lotteries also have Native American casinos. These casinos have "State Compacts" that have a provision for not allowing the State to implement more gaming, like you describe, without renegotiating or adding to the Native American gaming options. This again would 'expand gaming' in all of the States that opted to implement the gaming. Again, how much gaming expansion is the general public and the legislatures going to allow before they say 'enough'? My guess is that most States, with the exception of a couple East Coast States, already have enough."

Martin D. Owens, Jr.

Law Offices of Martin D. Owens, Jr.

"In plain English, the U.S. House of Representatives can neither grant nor deny the power to legalize gambling to the Fifty States. That power is reserved to them by the Tenth Amendment of the Constitution. Gambling comes under the police power, which is constitutionally reserved to the States. It therefore follows that any attempt



10



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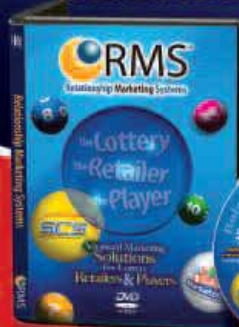
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45,000,000

What does it mean?

> > >

the first government-sanctioned lottery in the world to offer Internet poker to players in its own jurisdiction. The Lottery has been selling games via the Internet since May 1999, but with an estimated 200,000-plus Swedes engaging in Internet poker, and the lion's share of the spoils leaving the country, the Lottery had to take action.

Within hours of launching, more than 20,000 players had registered to take part in Texas Hold'em, Omaha, Dark Poker and Omaha high/low. By July 2006 – a mere three months after launch – the number of registered players reached 65,000, meaning the Lottery had gained an estimated 22 percent of the Swedish Internet market. The Lottery expects to have 25 percent of the market by the end of the year.

In its first three months, more than SEK 2 billion (US\$280 million) had been wagered on the Lottery's Internet poker site, generating a profit of SEK 52 million (US\$7.2 million).

Svenska Spel's focus in its Internet poker program, is to create a fun environment where players play each other. The Lottery aspires to offer a wide range of internet tournaments and events, and brings in famous poker stars and athletes for its customers to compete against. To minimize the risk for gaming addiction each player at svenskaspel.se has to set individual limits on daily wagering and duration of play. Svenska Spel profits by taking 2.5 percent of the amount wagered.

The beauty of such a player-to-player environment is that a lottery doesn't have to continually mess with a matrix. It only has to focus on creating a safe environment for its customers to participate in an activity that they were highly likely to pursue regardless of lottery involvement. What's more, the host lottery can ensure that profits that would otherwise leave its jurisdiction would be redirected to good causes within its own borders.

While there is plenty of argument in favor of lotteries hosting Internet poker sites, the fact is,

Sounding Off! ...continued from page 12

by Congress or the Executive Branch to meddle with that power is un-Constitutional and void ab initio...The infrastructure for interstate betting already exists in the simulcast racing transmissions, and the interstate lottery arrangements. There is no reason why such things as Internet poker cannot be grafted onto these existing systems.

If the States do not avail themselves of this opportunity to benefit from I-gaming it will not be because the legal basis wasn't there, nor the technology. It will be a failure of vision and leadership."

Gordon T. Graves

"The law, if crafted properly in the Senate, could accelerate the day when lotteries run a wide variety of player interactive poker games on the Internet and on TV using the cell phone to communicate with the game control center. These could include player vs. robot or player vs. player. I suspect head to head poker games played over the cell phone will be tried by some lottery soon. Americans in regions that allow high speed gaming spend about \$300 per year per capita gambling. I think that will grow to more than \$1,000 per year per capita before my gambling days are over."

Eliza A. Tyndall

Product Development Specialist, Dept. of Revenue
Colorado Lottery

"I believe, if the bill were to pass, that it would indeed pave a way for state lotteries to pursue Internet gaming ventures. Why? Because the bill specifically excludes state-run lotteries from the ban. The challenge will be for states to regulate Internet gaming activities to ensure age restrictions for gambling set by statute are adhered to, and limit Internet gaming activity to the state that is offering it. Of course, another challenge is meeting anti-gambling coalition concerns

for most U.S. lotteries, it's a long road to reach an Internet poker pay day. Legislation needs to favor lotteries on both the federal and state level. While federal clarification on the legality of Internet gambling may be just around the corner, poker pundits will lobby hard for the game's classification as a skill game in an effort to emancipate it from the grasp of cyber-gambling legislation. If they fail and lotteries continue to be exempt from such laws on a federal level, all one has to do is look at the snail-paced spread of video lottery across the U.S. to appreciate the amount of effort it takes to pass legislation allowing for any state to approve an expansion of gambling.

Still, as Svenska Spel has shown, if a Lottery is successful in passing legislation allowing for it to offer Internet poker, the popularity of the game is such that there will be plenty of gold waiting at the end of the rainbow. ♣

cerns perhaps by setting monetary limits to Internet wagering."

Kimberly Chopin
Louisiana Lottery Corporation

"Not for the Louisiana Lottery. Our state criminal code expressly prohibits gambling by computer, with one exception being the online terminal systems used to generate lottery tickets at a licensed retailer locations. Even if this law did not exist or could be amended by majority vote in the legislature, we would have another hurdle to overcome. Our Lottery statute allows the Lottery to create games 'traditional to the lottery.' This definition is open to interpretation as to what types of internet games we could offer. Therefore, our Lottery statute would also need to be amended by a two-thirds vote of the legislature to clarify our authority with respect to internet gaming." ♣

> > >

45,000,000

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Leveraging the Massive Popularity of Poker

Transforming Skill Games into Games of Chance

By Amir Sadri, Senior Director, Game Development & Analysis, GTECH



It is as pervasive as anything in popular culture today. Poker is as ubiquitous as it is popular – with industry estimates of 50 million people in the United States and more than 150 million people worldwide considering themselves “regular” poker players, according to the New York Times. Turn on a television on any given night in the United States and you are bound to find the game televised. Leading networks like ESPN, Bravo, the E! Channel, the Travel Channel and countless others televise it – in prime time – all year long, supported by the upwards of seven “official” organizations that sponsor tournaments of all kinds all over the globe.

The obvious popularity of poker has been harnessed by the lottery industry in a number of branded Instant formats. But those efforts capitalize only on the spirit associated with the brands that have spawned by the sport. The true essence of poker – the social aspect of the game and the element of skill – can only be captured in the more dynamic online lottery world, where graphics and varied play styles and distribution channels can morph the lottery into a more entertainment-based experience for players.

But how does a lottery create a dynamic play experience that looks, acts and feels like the immensely popular Texas Hold ‘em poker? How can the quintessentially popular game of skill be transformed into a game of chance required for the online lottery industry? For GTECH Marketing, those questions led to the development of Club Poker™, a breakthrough patent-pending online poker game designed for monitor play in social spaces.

“In its simplest form, we found that we had to invert the game to allow the game to play itself out as it normally would,” said Thomas Napolitano, Senior Manager of Game Design at GTECH. Because the game is aimed at people who watch poker on television, it is crucial that the game accurately reflect the game play. In so doing, Club Poker attracts players who might otherwise not be interested in the lottery, but are drawn to it by the game they follow passionately. *“It is an important strategy in enhancing the game portfolio for lotteries who are seeking to optimize revenue and expand their sales base, as well as to attract new players to the industry without cannibalizing the existing player base,”* said Napolitano.

“The game was developed on GTECH’s 3-D engine, on which HotTrax® was developed, which brings the Enterprise Series™ technology to the backbone of the game. Not only does that enhance the game graphics, but it also powers our revolutionary FLEXdraw™ random number generator that allows us to create the draws required to make the game work” explained Aza Pitchenik, Senior Product Manager at GTECH.

Club Poker has been quickly embraced by the Kansas and the Rhode Island lotteries, which will each launch the game at the end of September. The game will be launched in Kansas as Kansas Hold ‘em and in Rhode Island under the brand name Rhody Poker. In both juris-

dictions, expectations are high for the newest monitor game rollout.

“There is no question that poker is a game people feel comfortable with and understand easily,” said Ed Van Petten, Director of the Kansas Lottery. *“We are extremely excited to be launching Kansas Hold ‘em at the end of the month and expect it will be a real draw for our players. It offers a playability and entertainment value that has tested very well for us.”*

“We think it is a real coup to be able to offer such a dynamic monitor game that is based on such a popular premise,” echoed Gerald Aubin, Executive Director of the Rhode Island Lottery. *“To be able to launch the first ‘true’ poker game in the online category is a significant achievement and one that we feel will appeal to a broad cross section of new players in our state.”*

It is entertainment value on which lotteries are banking on player attraction. Unlike almost all online lottery games, where relatively simple number matches determine the outcome for the player, the Club Poker concept offers playability and entertainment at the same time. It is a perfect social space game because it encourages active play on the part of several people at the same time.

“This game strikes the delicate balance needed between complexity and simplicity. The game has to be easy to understand, but it also needs to have something to keep players interested, and this achieves that balance nicely,” said Aubin.

Monitor games like Club Poker are not the totality of the GTECH poker offering in the online category. Supporting the company’s strategy of deploying content over a wide array of game channels, the company has also developed poker-based games for the instant-online channel (Poker™, Beat the Shark™, Beat the Shark Plus™ and Instant Poker™) and in the company’s innovative Pick ‘n Play™ game platform.

However the game is deployed on the varied game channels, lotteries are betting on players flocking to a game they know and understand and will enjoy playing in a number of settings.

“Poker on this platform is as interactive as any game of chance can possibly be,” observed Napolitano. *“Players are in the game until the very last draw of the cards, which lends itself perfectly to the social spaces in which Club Poker will be played.”* ♦



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Tap into the Poker Boom with Poker Themed Instantants

By Max Montgomery, Manager Integrated Marketing, MDI

Poker tournaments, once banned to the smoky back rooms of casinos, have surfaced over the last few years to the top of mainstream culture, thanks mostly to their rising popularity on television and the Internet.



Among adults of all ages, poker and poker tournaments are now one of the top forms of entertainment and competition. From living rooms and dorm rooms to bars and clubs across the country, poker has become the number one leisure game in America with an estimated 65 million people who play. And the major televised poker games, World Series of Poker, World Poker

Tour and Celebrity Poker Showdown are watched by millions of viewers every week.

World Series of Poker is the number one poker event in the country in terms of participants, prize money and history. At the first World Series of Poker tournament 36 years ago, poker legend Johnny Moss won a silver cup. Back then, a vote among the players decided the winner. No cash exchanged hands.

In 1978, there were just 42 players in the final tournament and by 1988 there were 167 players. In 2002 the number had jumped to 631.

Then along came Chris Moneymaker, an accountant from Nashville, TN. In 2003, Moneymaker beat 838 players to win \$2.5 million but, more importantly, jump start the poker craze that it is today.

The following year, there were over 2,500 participants and in 2005, 5,619 signed up for the final tournament. During the recently concluded 2006 tournament, former talent agent Jamie Gold beat out over 8,000 contestants to win the \$12 million top prize.

MDI Entertainment realized early on that excitement was brewing within the poker world and knew immediately that it would translate perfectly to the Lottery category. With that, MDI set out to acquire the top poker brands to offer Lotteries and now holds the rights to World Series of Poker, World Poker Tour and Celebrity Poker Showdown.

To date Scientific Games has printed nearly 276 million licensed poker-themed instant tickets with a combined face value of nearly \$1.7 billion. Thirty states have run over 60 poker branded games using SGI patented and patent pending playstyles, many of which launched additional games under additional themes and price points.

"Poker and poker-themed games are one of the best ways a Lottery can reach emerging markets, an audience that is consumed with entertainment and friendly competition," said Steve Saferin, MDI president. "This poker craze isn't going anywhere anytime soon. Lotteries have realized this and have made a long term commitment to the poker cate-

gory for future instant games."

With MDI's licensed poker games players can win experiential prizes such as entries into the "Main Events," where otherwise they may not be able to afford the buy-in fees. This year the entry fee for the World Series of Poker finals was \$10,000.

"MDI's poker games are attractive on so many levels," Saferin said. "In addition to cash prizes, players can win exclusive merchandise and even a seat at the table with celebrities and other poker greats. These are once-in-a-lifetime prizes."

This year, MDI sent both a Tennessee and Pennsylvania lottery winner to the World Series of Poker tournament at the Rio in Las Vegas. Lottery winners mingled with poker legends Chris Hellmuth, Greg, "the Fossilman" Raymer, Joseph Hachem and celebrities like Ben Affleck and Toby Maguire. Both Lottery winners, Tom White and Steven Krushinsky, went home without major winnings but both reported an "awesome time."

"It was a great trip!" Krushinsky said. "I didn't make it that far, but it was great. I can't wait to go back."

Also unique to lotteries that launch MDI poker-branded games are the many promotional overlays designed and executed by MDI's Integrated Marketing Communications (IMC) team.

In February, MDI and the Tennessee Education Lottery ran a state-wide media tour with Chris Moneymaker to launch that state's World Series of Poker \$100,000 Hold 'Em Poker game and in May the Oregon Lottery and poker legend Annie Duke hit the road to promote the Lottery's World Poker Tour, Hold 'Em Poker game.

"The opportunities are endless," Saferin said. "These are the types of successful games that provide Lotteries the chance to step outside of the box, bump up instant ticket sales and offer their players new experiences. Many Lotteries have already recognized the value of that opportunity." ♦





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Why You Should Be Thinking About Your Lottery On Mobile Phones

By Scott Slinker, Win Go Mobile

Mobile phone consumers are ubiquitous. In the US alone, over 100 million mobile phone subscriptions are reported by the top 10 operators (Figure 1). Everywhere you go, people are talking on their mobile phones, sometimes seeming to mumble to themselves until you notice that they're wearing an earphone and talking into a headpiece of some sort.

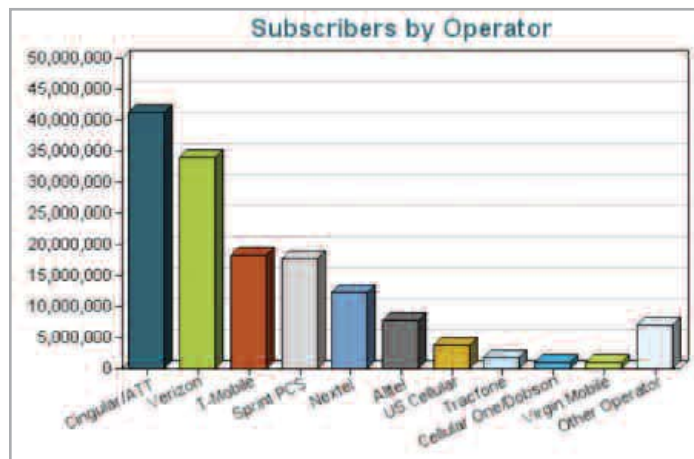


Figure 1: Subscribers by Operator (3 Month Avg. July 2006, US Market)

And they're not just making phone calls, they're surfing web sites, reading their e-mail, sending replies, and...playing games!

The obvious solution to the challenge of making interactive games "mobile" became apparent in the 2001-2002 timeframe: use the mobile phone as the game platform. Phone manufacturers such as Motorola, Nokia, Samsung, LG, et al., started manufacturing phones with graphical screens, multi-function keyboards with directional keypads, and built-in software. There was no obvious or essential business reason for graphical displays on mobile phones – who needs a 320 x 240 pixel, 16-bit color display just to make a phone call? – so the manufacturers clearly had games in mind when they started offering these phones. In fact consider where the industry is today. In the past few years, the market for games on mobile phones has gone from zero to over \$1 billion worldwide – and this figure doesn't include ringtones, screen savers, wallpapers, streaming video, and other forms of mobile data services for which consumers are paying.

Mobile carriers worldwide are banking on data services to increase their Average Revenue Per User (ARPU), since voice services have become so commoditized that it's almost impossible to differentiate your voice plans from anyone else's. "... data services represent a major growth opportunity that provides a worldwide value added services model. Worldwide markets at \$25.3 billion in 2001 are expected to reach \$50.8 billion by 2007. These are the most significant markets for the RBOCs (Regional Bell Operating Companies) going forward. Worldwide value added data services markets at \$60.9 billion in 2001 are expected to reach \$130.5 billion by 2007. Market growth will be driven by participation in wireless communication."¹ The Gartner Group estimates an annual growth rate of 42 percent in revenues from mobile data services dur-

ing the 2002-2007 time period, and estimates that by 2007, the number of mobile Internet users will exceed 74 million or approximately 36 percent of all mobile subscribers.²

And while you may think it's mostly teenagers and young adults who are playing these games, the market for mobile games encompasses a broad range of ages and genders, as well as educational backgrounds.

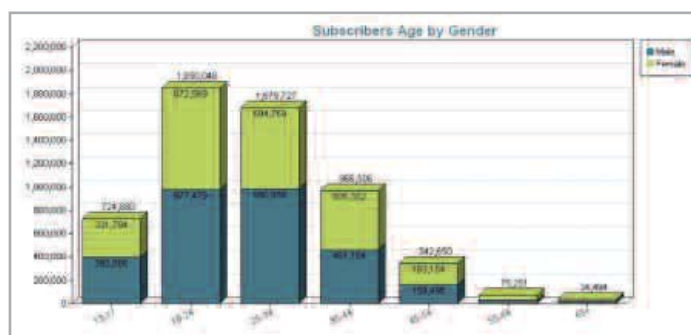


Figure 2: Subscribers' Age by Gender (3 Month Avg. July 2006, US Market)²

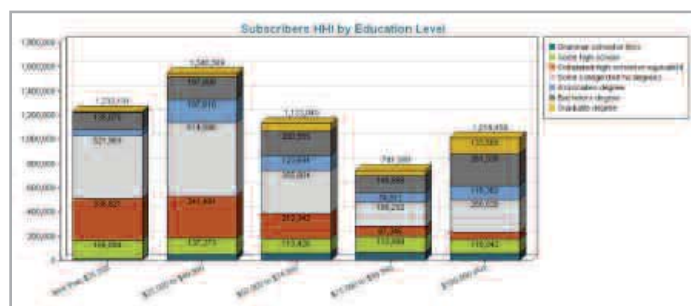


Figure 3: Subscribers' HHI by Education Level (3 Month Avg. July 2006, US Market)²

To state the obvious: the reason that people are playing games on their phones is because they simply enjoy the games. The Nintendo generation has grown up playing interactive games since they were old enough to toggle a joystick, and now they're in their 20s and 30s, expecting to play interactive games even when they're mobile.

"Mobile game downloaders come in all shapes and sizes, in terms of their demographics. However, two significant profiles have emerged: they tend to be younger, and females outnumber males.

"Teenagers were the largest segment (34 percent) of game downloaders, with those 25 to 34 making up the next largest group (25 percent). So, as with other newer gadgets and services, targeting younger people makes the most sense. It's much the same crowd as those who enjoy Xbox, GameCube and PSP."

"The male-female ratio was 55 percent women to 45 percent men – which means not all mobile game downloaders are teenage boys with nothing else to do but bang phone keys for fun. A large portion of women are turning to their mobile phones for fun and distraction as well."

¹ Wintergreen Research, *Carrier Value Added Services Market Strategies and Forecasts, 2002-2007* (report)

² Gartner, Inc. 2004

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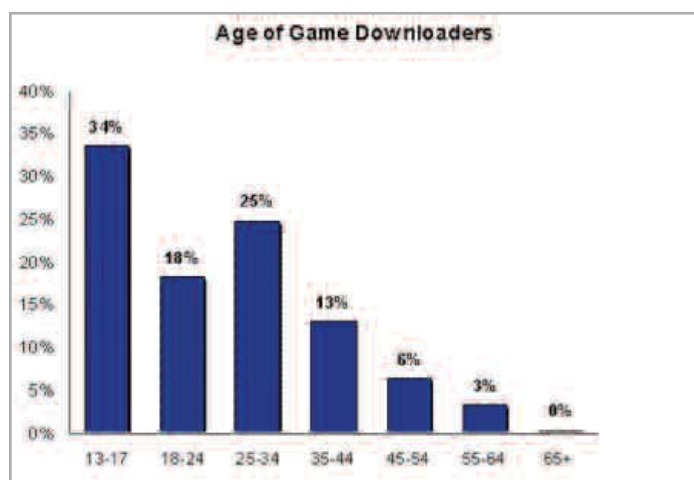


Figure 4: Age of Mobile Game Downloaders

"Overall, mobile phone gamers were contented buyers, with 75% either 'satisfied' or 'very satisfied' with recent game purchases. This bodes well for those involved in the gaming value chain. Happy customers are more likely to be repeat customers."³

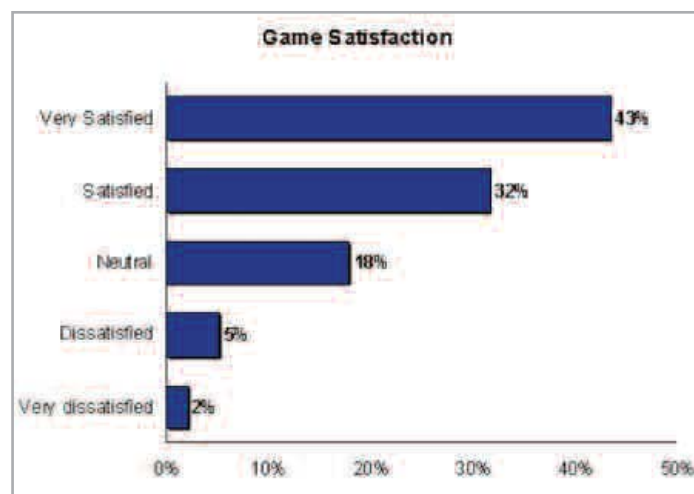


Figure 5: Mobile Game Satisfaction

As in the video game and computer game industry during the last 25 years, games have driven the video and processing technology of mobile phones, rather than vice versa. Consumers want better games, better games require better graphics and processors, driving the manufacturers to keep evolving these components of their phones. Mobile phone displays (screens) shipments reached 275.3 million main displays the second quarter of 2006, flat with the previous quarter though up 32% year over year, according to a report by market research firm DisplaySearch Inc.⁴ Need more proof? Consider that Samsung Electronics has unveiled a mobile phone equipped with a 8-gigabyte hard disk, representing what it claims is the world's largest storage capacity for a handset.⁵ That is a lot of memory for a lot of pictures, music, and yes...game applications.

Today, essentially 100% of new mobile phones sold throughout the

world have graphics screens and include software capable of running client applications directly on the phone. In 2006, this means that over 1 billion new game-capable phones will be purchased by consumers worldwide. Even if you don't want these features, or don't intend to use them, you won't have much choice; you'll be hard-pressed to find a mobile carrier who offers a non-graphic phone.

Consider all of this in context with the mobile lottery market and current consumer: According to Mintel, "...it is critical to encourage younger legal-age adults to play the lottery to grow a future playing audience. Generation X and Millennial generations are the big challenge for the lottery industry. By 2010, adults aged 18-34 will represent 23.4% of the US population...these generations will be an important base of lottery players. It will be critical for these generations to be informed that the technology they know and love can be experienced via the lottery."⁶ Younger consumers (ages 18 – 35), expecting game play as an essential component of any interactive game, are underrepresented (and underserved) in today's lottery market.

For the lottery industry, this seems to be an ideal confluence of factors:

- Lotteries are already in the game industry (albeit not the interactive segment)
- The prime demographic for mobile games is the most underrepresented, and most desirable, audience for future revenue growth
- This demographic has already adopted mobile phone gaming in very large numbers
- The most widely adopted interactive platform in the world – mobile phones – are ready and available for all types of lotteries and lottery games

THAT'S why you should be thinking about your lottery on mobile phones!

Interactive game play, brands, instant win, lotto, ubiquitous availability, ease-of-use – they all converge in the mobile phone.

Of course, it's not just as simple as finding a couple of programmers and handing them a mobile phone SDK (software development kit). As lottery directors know well, there are lots of details and requirements that need to be satisfied in each jurisdiction:

- Age verification
- Location verification
- Two-way payment processing
- Security

In addition, there are technological issues and hurdles, including:

- Game design – game play value is a must
- Brands and licensing
- Porting the game to hundreds of different mobile phone handsets
- Distribution – how do the consumers get the game onto their mobile phones?
- Back-end technology – integration with existing on-line systems

But despite these requirements and hurdles, it's inevitable that consumers will be playing the lottery on their mobile phones in the not-too-distant future.

Over the next few issues, we'll uncover and discuss the issues above, and a lot more, to provide all the background and information that you'll need to be prepared for the mobile revolution! ♦

Paul Zuzelo and Scott Slinker are co-founders of Win.Go Mobile Inc., a company dedicated to extending lotteries worldwide to the mobile platform.

³ Neil Grother, The NPD Group's Research Director, Mobile Devices, Content and Services, <http://biz.gamedaily.com/industry/myturn/?id=13719>

⁴ EETimes 09/18/2006 URL: <http://eetimes.com/showArticle.jhtml?articleID=193001621>

⁵ EETimes 08/22/2006 URL: <http://eetimes.com/showArticle.jhtml?articleID=192202809>

⁶ Mintel, "Lotteries – US – August 2004"; <http://www.mintel.com; page 69>

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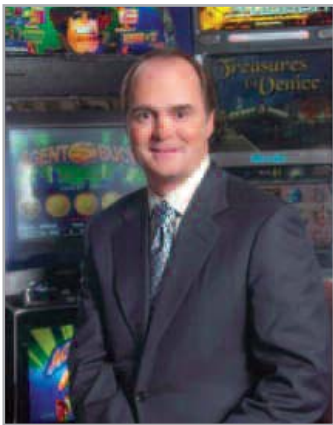
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The New GTECH

– An Interview with GTECH CEO W. Bruce Turner



After several months of work, Lottomatica S.p.A. and GTECH Holdings Corporation satisfied all conditions in the merger agreement, and Lottomatica completed its previously-announced acquisition of GTECH.

The combination of Lottomatica, the exclusive license holder and operator of Italy's Lotto, one of the world's largest lotteries, and GTECH, a leading gaming and technology services company, creates one of the world's leading gaming solutions providers, with significant global market presence and the broadest portfolio of lottery technology, services, and content solutions. The combined company has operations in over 50 countries worldwide and approximately 6,300 employees.

The merger was the brainchild of De Agostini CEO Lorenzo Pellicoli and GTECH CEO W. Bruce Turner.

Public Gaming International (PGI) recently had the opportunity to talk with Mr. Turner about the sale and what this transition will mean to GTECH and its many customers around the world.

PGI: *You and Mr. Pellicoli have been discussing this transaction for a long time. What is your shared vision for the new Lottomatica owned GTECH?*

Bruce Turner (BT): We did start talking about this over a year ago. Interestingly, GTECH was not looking to do a transaction at that time – that wasn't something we were contemplating. Our discussions focused on whether or not our companies had shared values, had similar philosophies as far as focus on the customer, focus on the employees and had similar visions for the long term.

What we found out was that, indeed, we did have a very close alignment around those core principals.

Finances were not discussed for a long time, because, really, those were secondary.

The vision is very simple. It is basically the same vision that we at GTECH had, and that will now be the collective vision of the new Lottomatica. That is, our strategic goals are to amass the greatest range of world-class products and services possible, such that we can conveniently provide the best products and services in the world to our customers. That doesn't change.

We certainly believe strongly, and we've said this on many occasions, that our industry will face more change in the next five years than we

have in the last two decades. The market leadership will be defined by innovation and companies that anticipate the requirements of this changing marketplace during the next three to five years. Such that we can amass that range of solutions so that whenever our customers are ready, we are ready to meet their needs. That does require us to be thinking about how this industry is changing so that we can be prepared for that future.

PGI: *How does the sale of GTECH to Lottomatica make GTECH stronger?*

BT: On many dimensions, and I'll talk in a moment about why strength matters, this transaction combines two companies that have very complementary companies. Lottomatica is the largest commercial operator of lotteries in the world. Obviously, the Italian National Lottery and the games that they run on behalf of the government are quite successful. The Lotto game itself has been operating in Italy for 400 years, and is the most successful single game in the world.

They've done a great job in a very large lottery – 44,000 retailers. Just to give you some perspective, that's almost twice the size of the U.K., and roughly three times the size of New York – it's a big business. They've been able to operate it very effectively.

You combine their operation skills with GTECH's technology and content skills and you create the only vertically-integrated company of its kind in the world. It really does come together nicely.

From our perspective at GTECH, it will also give us a very valuable insight into the daily dynamics of running a lottery that I hope, over time, will make us and our solutions that much better. We will stand in



the shoes of our customers, because we will be one every day. That combination comes together nicely in those respects.

In terms of size, obviously we will have a scale and mass that's just about four times larger than anyone in our business. That by itself simply means that we're big. Why does that matter?

It matters because of the convergence we see between the opportunity set for products and services in the commercial gaming space and where our governments are going in terms of expanding their umbrella of socially-responsible and politically-acceptable games into more dynamic areas. That includes faster-paced games like Keno, VLTs, or movement into the interactive channels – and the Internet mobile telephony or interactive television. All of those areas, and others, represent the future of our business. The companies that are successful at providing services must have the financial capability to selectively consolidate world-class companies such that we can put that full package together for our customers. That's going to take size.

So this combination does create enhanced critical mass and I hope that over time, if we're wise about our investments, it will give us the capability to further consolidate on a global scale a variety of companies that can enhance the portfolio of products and services that we make available to lotteries.

PGI: *How will the acquisition benefit GTECH's North American customers?*

BT: Certainly we will have the opportunity with a very large operation in Italy to use it, in essence, as a laboratory for a variety of innovative products and services that, with the support of the regulator there, we can validate in the marketplace. That validation enhances the likelihood of success if we take those products or derivatives of those products into the North American market.

PGI: *How real was the fear that, given GTECH's change of ownership, U.S. lotteries or legislators might have terminated their contracts due to the change of ownership, or the prospect of doing business with a foreign company?*

BT: It was certainly a question. Bear in mind that this transaction, in its simplest description, replaces the public shareholders of GTECH today, which are almost all international institutional money managers and asset managers, with the public shareholders of Lottomatica, which are international institutions and money managers. It is true that we, as a public company, will trade on the Milan exchange in Europe, as opposed to the New York Stock Exchange, but GTECH as a company will not change. The only difference is that GTECH is now an indirect wholly-owned subsidiary of Lottomatica. We are still incorporated as a U.S./Delaware corporation and organized under U.S. law.

GTECH's leadership will run the combined new Lottomatica, GTECH will continue to be what it is today, will continue to be headquartered in Rhode Island, so from our customers perspective, they won't see meaningful change – quite the contrary. They've indicated to us that if this works properly, this should help us as a vendor understand their needs better, and that's only good for them.

We haven't gotten any negative feedback about the change of public company ownership impacting our ability to provide the

types of services we always have.

PGI: *It was very interesting to hear that Lottomatica would keep the GTECH management team intact and put you in control of the combined entity. Was that a point that GTECH lobbied for or was it a point that Lottomatica conceded from the beginning?*

BT: It is unusual for a transaction of this type to be one involved where the management of the acquired company becomes the management of the combined company. That is not the normal and ordinary path.

Who would run the company was never a discussion point in the process. I candidly had no expectations that they would offer me the ability to run the company, nor did I lobby for that. As they have pointed out in numerous public meetings, when they looked at it, it became quite clear. Lottomatica is an outstanding company with just over 1,000 professionals. They have a great track record, but their expertise is unique to Italy. They were not structured to be a global company. They are not a technology company. It was the belief of the De Agostini Group and their shareholders that the most logical solution was to buy GTECH and have GTECH's management run the combined Lottomatica. That was their opening expectation. They made it quite clear that if GTECH's management had been unwilling to run the combined company they would not have done the transaction.

PGI: *Would GTECH have considered the sale if it meant its management team would be dissolved and the company would be run by Lottomatica?*

BT: Yes. It wouldn't have been our choice. As a fiduciary in a public company, you cannot put your personal goals and desires ahead of those of shareholders. If this transaction had occurred and they'd said we intend to put our management in, then that's what would have happened. In a transaction like this, you have to do what is in the best interest of the company. You really do have to put your personal interest on the shelf. They are not relevant to the decision-making process.

PGI: *Would you have considered the sale if it meant it GTECH would have had to leave Rhode Island?*

BT: Again, as a fiduciary of a company, you must consider the totality of the offer. Candidly, as a result of our 20-year master contract in Rhode Island, it would have been impossible on a financial basis, and illogical for the buyer not to want to honor and respect our obligations to Rhode Island. If we were to attempt to terminate our obligations, which we could do, they would terminate our 20-year contract. That's not a good business conclusion, so that was not ever really discussed. Not even once.

GTECH's corporate headquarters will remain in Rhode Island. I will spend a good amount of time in Rome at Lottomatica's headquarters, but as you think about it, we've got outstanding leadership in Italy. They don't need me there to help them run the operation. My role, as well as all of our senior staff, will be to help the combined company allocate capital, focus on the customer and ensure that we maintain a leading position in the industry for many years to come. ♦



Lottery Scams – How Do We Protect Our Customers?

“Congratulations! You may receive a certified check for up to \$400,000,000 U.S. CASH! One Lump sum! Tax free! Your odds to WIN are 1-6. Hundreds of U.S. citizens win every week using our secret system! You can win as much as you want!” Sound great? It’s a fraud.

So goes the opening lines of the FTC site warning of lottery scams.

While it may appear to be obvious that the offer listed above is a scam, thousands fall victim to such tripe yearly. Some people want so strongly to believe that something good can happen to them, they just take the chance, and get taken.

Players across the U.S. are losing \$120 million annually in foreign lottery scams. The average loss is \$4,700 per person scammed. Sadly, these figures only represent the money that is reported. The real number is undoubtedly much higher, as many “suckers” won’t want to shame themselves by admitting they’ve fallen victim to a scam.

Scammers typically modify two different forms of scams: offers to buy foreign lottery tickets (send us the money and we’ll buy them), and scams claiming you’ve won (all you have to do is pay the tax or legal fees upfront).

To make matters worse, if a player does fall victim to a scam, they’re going to be on what’s called a sucker’s list and they’ll be tempted to be scammed again.

Protecting Your Customers

Most lotteries have programs in place to help protect their customers from lottery scams. At the same time, most lotteries are looking for more ways to get the word out about scams. Below are examples of what

some lotteries are doing. For a quick list of the ideas implemented in the programs below, see the sidebar “Tips for Slowing Scams.”

Arizona

The Arizona Lottery periodically publishes stories on its website; if a scam is taking place (such as the “pigeon-drop” which re-surfaces about every two years), the Lottery is very proactive about warning the public with press releases, interviews, translations for Hispanic media, etc.

The Lottery’s Security Division produced a brochure on scams which is distributed to law enforcement agencies throughout the state and is publicly available upon request. Security also attends retailer forums to educate retailers.

Colorado

The Colorado Lottery does several things to help our players steer clear of lottery scams. The Lottery published a brochure titled “How to Stop Lottery Scams,” printed in both English and Spanish, and keeps it stocked in all of its play centers (about 2,800 statewide).

The Lottery also has a section on its website about Lottery scams that includes information on the latest scams. The site also includes general security tips about not being the victim of a scam. The Lottery utilizes a “bug” on its homepage that links directly to the scam page when they know a scam is making the rounds.

Tips for Slowing Scams

- Cooperate with state and federal agencies in educating the public about lottery scams.
- Inform public on specific types of scams that have surfaced via press releases and interviews.
- Translate press releases for Hispanic media
- Distribute brochure on scams to law enforcement agencies throughout state.
- Print and distribute brochures on how to avoid lottery scams at all Lottery retailers.
- Update your scam related brochures yearly to include information on the latest scams.
- Translate your brochures in Spanish and make them available as well.
- Send members of Security Division to retailer forums to educate retailers.
- On your lottery’s website, create a section about Lottery scams, and include tips on how not to be a scam victim.
- On your website, publish stories of people who’ve been scammed (use real stories, but not real names).
- Have links on your homepage to your scam page(s).
- Post warning messages about scams on your homepage.
- Link to your state’s Attorney General site.
- Send scam related email messages to members of your VIP club who have opted to receive updates on general lottery information.
- Provide a direct link on your lotteries homepage that will take visitors to the FTC’s “Foreign Lotteries: The Games You Can’t Win” bulletin. This site has a lot of excellent information regarding telemarketers, spam emailers, misleading advertisements involving phony prize promotions, foreign lottery schemes, advance-fee loan rip-offs, travel offer scams and unnecessary credit card loss “protection.” This site includes numerous links including downloadable posters; the National Do Not Call Registry; FTC advice on identity theft; tips on how to reduce e-mail SPAM including a database to report e-mail abusers for investigation.
- Download the FTC’s poster regarding foreign lotteries and post it on the public bulletin board at the Lottery.
- Run articles in retailer publications.
- Run articles in publications aimed at players.
- Create and implement internal procedure that gives Lottery employees guidelines for contacting Lottery players regarding sensitive information.
- Respond directly to calls, letters and emails about scams.
- Make scam related information available to the state advocates for the elderly. Many of these scams target senior citizens.
- Run a special release about Lottery scams during February 2007 to coincide with National Consumer Protection Month. ♦



Finally, the Lottery often works with the media to alert the public when it knows a Lottery scam is particularly widespread in Colorado or utilizing the Colorado Lottery name.

The Lottery is also considering sending an e-mail message to members of its opt-in VIP club, MyLottery. The next time the Lottery becomes aware of a lottery scam making the rounds in Colorado, it plans to send a message with a warning and tips on avoiding scam to the 18,000 or so MyLottery members who opted to receive general Lottery information.

Florida

The Florida Lottery developed and printed a brochure outlining the dangers and signs of lottery scams and distributes the brochure and other information about lottery scams to the public, law enforcement and Lottery retailers. The Lottery also keeps retailers informed about lottery scams that are detected and being investigated by the Lottery and law enforcement and has designated a Lottery Security officer to lottery scam prevention efforts. In addition, the Lottery provides speakers for civic groups, community groups and law enforcement, works with law enforcement to increase the awareness of lottery scams, facilitates the exchange of information among the various law enforcement organizations, tracks lottery scams reported in the media, posts information about lottery scams on its website, and has added a link to its website to www.elder.law.stetson.edu which provides additional user-friendly information on consumer protection.

In addition to continuing its current efforts, the Florida Lottery plans to, in the future, provide additional information on its website with links to other sites housing lottery scam information; distribute news releases about the danger of lottery scams in areas of recent lottery scam activities, and develop and distribute an updated lottery scam brochure.

Georgia

The Georgia Lottery Corporation addresses specific questions as they come in from the public.

Indiana

The Hoosier Lottery has posted a warning on the front page of its web site and sent news releases out to the media warning consumers not to fall victim to a lottery scam.

Iowa

The Iowa Lottery, like others around the country, has worked in a variety of ways to warn consumers about lottery scams.

One of the most visible warnings from the Iowa Lottery is a banner on its Web site at www.ialottery.com. The eye-catching banner provides a link to the Web site of the Federal Trade Commission (www.ftc.gov), which also warns consumers about lottery scams and provides instructions about how to file a complaint regarding fraudulent, deceptive and unfair business practices.

In addition, the Iowa Lottery has repeatedly provided information about lottery scams to its retailers to help educate them about the issue, in the hope that they will then share the information with customers. The lottery's most recent posting about the matter was included in the July 24 edition of "Lottery Action," its newsletter that is distributed to all Iowa Lottery retailers. In it, the Lottery reminds consumers, "*Don't be fooled by e-mail lottery scams.*"

The Lottery also has worked with the Iowa Attorney General's office to distribute information about lottery scams. On its Web site at www.state.ia.us/government/ag, the attorney general's office posts several consumer advisories, including a warning about lottery scams. Among the key reminders:

- Beware of any notice that you've won a lottery.
- Keep your bank account and credit card information confidential.
- Don't pay to play a lottery.
- Report lottery scams.

Kansas

The Kansas Lottery provides a direct link on its website that will take visitors to the FTC's "Foreign Lotteries: The Games You Can't Win" bulletin. The Lottery has also down-loaded the FTC's poster regarding foreign lotteries (from the same site) and posted it on the public bulletin board at the Lottery.

Periodically the Lottery runs articles in the "Winners" magazine (a Kansas Lottery produced quarterly publication given to all retailers for distribution to players).

Occasionally it sends out press releases on particular scams going around, especially in those instances where the Kansas Lottery is specifically mentioned in the scam in one way or another.

The Lottery routinely fields calls from players regarding a scam they received in the mail, via internet, by telephone, etc.

The Kansas Attorney General's Office is also very proactive regarding consumer protection matters of all kinds, including lottery and lottery-related scams.

Louisiana

Inspired by a similar piece put out by the Oregon Lottery, the Louisiana Lottery produced a brochure entitled *How to Avoid Lottery Scams*. This brochure is updated every year to include the most recent scam "M.O.'s" and is offered to the public in the Lottery's play centers located at retail locations throughout the state.

When the Lottery hears of new scams in its area, it issue news releases and appears on radio and TV news shows to educate consumers about the particulars of the individual scam and to provide tips for avoiding them in general. In addition, the Lottery also makes this information available to the state Office of Elderly Affairs for distribution though local Councils on Aging, since many of these scams target senior citizens. On an ongoing basis, this information is available on the Lottery's website.

Maryland

The Maryland Lottery alerts its customers about lottery scams, when they occur, through its website.

Michigan

The Michigan Lottery has a link to info about scams on its home page. The Lottery responds directly to calls and letters about possible scams.

Minnesota

The Minnesota State Lottery has a page on Lottery scams on its website. The Lottery has issued news releases warning players about specific lottery scams, and staff responds to players who call or send e-mails questioning the validity of a letter or e-mail that says they have won a lottery prize.



Missouri

The Missouri Lottery maintains a link on its homepage to the Federal Trade Commission's Website ("Foreign Lotteries: The Game You Can't Win"). This site has a lot of excellent information regarding telemarketers, spam emailers, misleading advertisements involving phony prize promotions, foreign lottery schemes, advance-fee loan rip-offs, travel offer scams and unnecessary credit card loss "protection." This site includes numerous links including downloadable posters; the National Do Not Call Registry; FTC advice on identity theft; tips on how to reduce e-mail SPAM including a database to report e-mail abusers for investigation.

The Missouri Lottery has an internal procedure that gives Lottery employees guidelines for contacting Lottery players regarding sensitive information.

The Lottery also maintains a link on its home page entitled "Protect Yourself Against Lottery-Related Scams." This section gives examples of "Lottery-specific" scams and a link to the Missouri Attorney General's Consumer Protection Program. It also provides a "BE SMART" list of "what the Missouri Lottery doesn't do" with regards to paying a prize and/or player contacts.

The "BE SMART" information is sent via e-mail on an annual basis to a list of more than 88,000 My Lottery Web subscribers. The Lottery publishes the "BE SMART" tips and examples of Lottery-specific scams in the Lottery's Winning Times player magazine and Retailer Connection retailer publication.

Missouri will be running a special release about Lottery scams this February, to coincide with National Consumer Protection Month.

Montana

The Montana Lottery has issued a joint press conference with the Attorney General, and has developed a partnership with the AG office and local law enforcement to get the word out to folks – especially through AARP and other organizations – that these scams do exist. In addition, the Lottery includes foreign lottery scam warnings on its website. The Lottery does a lot to express to its players *"If you want to play a lottery, play the Montana Lottery lottery. Don't waste your money with a scam."*

Nebraska

The Nebraska Lottery has in the past issued news releases and post-stories on its website (nelottery.com) about scams.

In the future, if necessary, similar steps will be taken. Other possible measures include publication of information in the Lottery's monthly retailer newsletter and periodic player's magazine. The Lottery could also cover the topic during quarterly regional retailer rally meetings.

New Jersey

The New Jersey Lottery has sent out press releases on lottery scams, has posted information on its website, and is conducting ongoing cooperative efforts with appropriate State and Federal agencies in educating the public.

New Mexico

The New Mexico Lottery supplies retailer playstations with "Beware of Scams" brochures. The Lottery occasionally distributes Scam Alert news releases to statewide media.

Ohio

Periodically, the Ohio Lottery has placed articles in its retailer newsletter to educate retailers about the problem of lottery scams. The agency has also worked with the media from time to time to get the word out about these scams and ways to combat them.

Pennsylvania

Former Pennsylvania Lottery Executive Director Ed Mahlman gave several media interviews regarding the various ploys used, the numerous circulating lottery scams, and what a person should do if and when they are contacted by what they think may be a bogus lottery.

Additionally, the official Lottery website has a direct link to the Pennsylvania Attorney General's website. When the Lottery receives a call, letter or e-mail, it tells the person that what they have received is not an official correspondence from the Pennsylvania Lottery and why, and advises that they contact the Office of the Pennsylvania Attorney General. The Lottery has been told that the Attorney General's Office routinely follows up with the FBI for investigation of such claims.

South Carolina

In the past, when the South Carolina Lottery learns of a Lottery Scam, it makes an effort to inform the general public through the media. The Lottery has also dedicated webpage about the potential warning signs of a scam.

Texas

Over the past few years, millions of dollars have been lost in a scam run primarily by Central and South American con artists using bogus or altered Texas Lottery tickets. The Texas Lottery Commission's Latin Lotto Scam Awareness Campaign resulted in increased awareness among the elderly population, particularly within the Hispanic community, of the dangers of being scammed. Campaign publicity materials included The Truth Report, a public information page on the agency's Web site (www.txlottery.org/lottoscam); a bilingual flyer detailing how the con game works; news releases with city-specific information and periodic updates; articles in targeted newsletters and magazines; and resource links.

Washington

Washington's Lottery did have several links on its website regarding Lottery scams, but they have been taken down for various reasons and may be restored at some point.

West Virginia

Lottery scams appear in many forms: telephone calls, emails, and postal mail. When the West Virginia Lottery is a recipient of such, or if its players report such to the Lottery, the information is immediately provided to the Security Division and, if merited, to the Lottery's In-House Legal Council and to the State Attorney General's Office. Once aware that a lottery scam is being conducted in West Virginia, the Lottery informs the Charleston, WV Bureau of the Associated Press and its extensive network of media outlets. The public information, provided by the media, is an excellent method of preventing residents from falling prey to scams. ♦

Growing Sales through Retailer Incentive Promotions

The attitude of a retail network can be the most important marketing tool a lottery can wield. Retailers are the main conduit between the lottery and its customers. Lotteries can conduct email blasts, cross-promote with multiple organizations, put countless hours into gaining face-time at fairs and festivals, and build the cleverest ads, but these efforts will gain little if, when a customer walks in to buy a lottery ticket the retailer says, “that game’s no fun,” or even worse, “the lottery is a waste of money.”

The top 10 percent of lottery retailers typically account for a disproportionate amount of any given lottery’s yearly sales (*See chart below*). Many of these retailers are blessed with superior locations (on a jurisdictional border, busy street corner, etc.), some sell well due to their sheer size, but not all fall within either of these categories. The one thing these retailers have in common is a passion to succeed, and the understanding that the lottery creates a tremendous traffic flow into their locations. Consequently, they treat the lottery as profitable segment of their business and look for ways to promote the category. The majority of above-average performing retailers consistently partner with their customer service representative to follow the “best lottery sales practices” (*See sidebar on next page*).

So, how do you continue to motivate your retail sales force to sell? There are several schools of thought on the matter. Some lotteries run statewide promotions, others run inter-organizational and/or regional promotions, while some lotteries believe the key to maintaining a happy retail force lie not in offering periodic promotions, but instead maintain ongoing programs that offer flexible rewards. Below are some retailer incentive promotions run by U.S. lotteries.

Colorado

The Colorado Lottery runs two to three statewide retailer incentive campaigns per year. In addition, the Lottery’s Corporate Accounts department also conducts retail incentive promotions with individual retailers, as well as conducts chain-specific and geo-targeted incentive programs.

Most recently, the Lottery launched the \$35 Million Cash Spectacular Retail Incentive Program (May through July, 2006) on a statewide level. The objective of the incentive program was to support the product strategy of the \$10 Cash Spectacular Scratch ticket by motivating retailers to sell the product and sustain sales beyond the first month of ticket activation.

All of the retailers were put into one of five sales level categories. For example, Category A had sales of \$100,000 and up for a three-month period, while Category E had sales below \$15,999 (retailers with fewer than three-months experience were excluded).

To qualify for the incentive, retailers had to meet their Scratch forecast for the three-month promotion period. Retailers that met their forecast then competed based on the sales of the \$35M Scratch ticket in comparison to their forecast. The top five retailers within each category with the highest percentage of Cash Spectacular sales won a pair of tickets to a Colorado

Avalanche hockey game. The number one retailer within each category was entered into a drawing to win a Royal Caribbean Cruise for two.

In retrospect, the Lottery found the “Scratch promotion forecast” to be a bit confusing, but overall the incentive program was a success. The program communicated product features and benefits directly to the retailers who supported the product by selling it. Sales have been most favorable, and are sustaining.

Florida

The Florida Lottery offers both on-going and quarterly promotions. The most recent, “Race for Cash,” targeted multiple products. Retailers could earn 20% of the player’s prize value for every Cash prize coupon issued in their store. This was in addition to the regular ticket and cashing commissions received. Plus, retailers were automatically entered into a cash drawing every time they issued a promotional player prize at their store. They could also win a Daytona 500 Race Package, a radio remote or \$500 if they were one of the Lottery’s Display Contest winners.

“‘Race for Cash’ was strongly supported by our retailers, with promotional displays built in almost 8,000 stores,” said Florida Lottery Sales Director Tom Delacenserie. “When compared with similar promotions run during strong seasonal selling period, sales were not as strong. Additionally, the ‘Race’ promotion theme was used by a number of other consumer product companies and retail chains. When factoring in the crowded field and the time of year, the promotion definitely created a lift that otherwise would not have occurred.”

Georgia

The Georgia Lottery runs retailer incentive promotions once or twice a year, with the most recent occurring January through March of 2006.

The promotion, which was offered to all retailers, was designed to increase both activations and distribution of the Lottery’s \$10 instant game ticket “\$300 Million Gold Rush.”

Retailers were awarded an entry into bi-weekly drawings (4 drawings between January 31 through March 25) based upon activations of \$300 Million Gold Rush. Two winners for each district in each drawing period won \$250. Additionally, a grand prize drawing was held at the end for \$1,000 and a pair of AirTran Airways tickets.

When asked if the Lottery considered the promotion a success, Georgia Lottery Media Relations Manager Tandi Reddick replied, “Yes, activations of this game reached our targeted levels. It helped to increase distribution of the game to retailers who might not carry the \$10 price point.”

CHART

Percentage of Sales Attributed to Top 10% of Retailers

Colorado	27%
Florida	28.17%
Georgia	28%
Indiana	39%
Iowa	34%
Kansas	31%
Kentucky	32%
Louisiana	29%
Michigan	25%
Minnesota	27%
South Carolina	30%
West Virginia	28%

Best Lottery Sales Practices for Retailers

- Maintain a better overall game selection (more games)
- Carry multiple price points – include high price points into the mix
- Follow price-point plan-o-grams
- Place dispensers in visible locations – preferably at front of store or on front counter
- Keep dispensers stocked at all times
- Pay winners to the lottery's maximum
- Post winner awareness information,
- Include winner awareness in advertisements
- Post up-to-date jackpots both inside and outside of store
- Post lottery Point-of-Sale materials
- Post point-of-sale materials in the preferred locations
- Designate space specifically for lottery sales
- Participate fully in player promotions,
- Employ marketing strategies to retain loyal player base.
- Conduct promotions to reward customers for playing the lottery at your location
- Train staff on best practices for lottery retailers
- Maintain knowledge about ALL lottery products
- Know your customers
- Use suggestive selling – up-sell customers
- Make the process of purchasing a lottery ticket enjoyable for the customer
- Provide service with a smile. ☺

Indiana

The Hoosier Lottery runs monthly and quarterly retailer incentive promotions. The Lottery most recently offered an incentive on two of its \$20 scratch tickets. The retailers that sold a top prize received a \$5,000 bonus. Currently, 81 percent of Hoosier Lottery retailers carry at least one \$20 game. The Lottery was hoping to grow that number with this promotion. The promotion was successful in getting more distribution of the Lottery's two \$20 games.

Iowa

The Iowa Lottery does not run occasional retailer incentive promotions. The Lottery's retailer compensation program is a combination of fixed commission rates and bonus money earned by achieving specific goals.

Iowa Lottery retailers' receive 5.5% commission on the sale of all online tickets sold. In addition to the base commission, the Lottery established a sales base for each eligible retailer. Retailer sales are monitored and those who increase their sales will be awarded bonuses. A 10-19 percent increase warrants a 1 percent increase of bonus; a 20-29 percent increase will raise the bonus by 2 percent; a 30-39 percent jump increases the bonus by 3 percent; and a 40 percent or greater increase brings in an extra 4 percent bonus.

Iowa Retailers also receive an extra 0.5 percent bonus on Powerball/Power Play sales when jackpots hit \$100 million or more.

Retailers receive 5.5% commission on the sale of all instant tickets sold, but can boost that commis-

sion to 7 percent by becoming "Gold Star Program" members. To join the Gold Star Program, retailers must display appropriate signage in designated areas, and sell twelve or more different games from dispensers (six of which must by multi-dollar games).

Kansas

The Kansas Lottery felt it was not having much success with statewide retailer incentive promotions.

"They didn't seem to be the real reason for an increase (if there was one) in sales," said Kansas Lottery State Sales Coordinator Lori Koepsel. *"It appeared as if we were just giving away money/prizes with little to no support or effort from the retailers."*

As a result, it is now rare for the Kansas Lottery to offer a statewide retailer incentive promotion. Instead, most of its retailer incentive promotions are very "targeted" with a specific corporate chain, a group of retailers in a certain SIC code or within one of its sales territories. The Lottery now conducts "targeted" retailer incentive promotions on a regular basis, generally for a specific product or a group of products (i.e. sales for all on-line games or percentage increase in \$5 & \$10 instant sales, etc.).

Kentucky

The Kentucky Lottery Corporation operates a quarterly retailer incentive program which rewards retailers with an extra commission on instant sales based on reaching assigned sales levels. In the highest sales bracket a retailer can earn an additional 2 percent commission on all their instant ticket sales for the quarter.

The Lottery also runs approximately two game specific retailer incentive promotions during the year which may allow retailers to win trips or cash as part of new game launch or for exceeding benchmark sales levels for a specific game during a promotional period.

The KLC's most recent retailer incentive promotion, which was designed to increase the Lottery's distribution of high priced instants, was launched during the 4th quarter of fiscal 2006.

On the level of success achieved by the promotion, KLC VP of Sales Bob Little commented, *"During the period total sales for scratch offs were down 3.8 percent and 11.8 percent from the benchmark period. However, when compared to the same period last year the \$5 tickets were up 20.8 percent, \$10 up 20.3 percent and the \$20 up 5.1 percent. We also had 800 unique retailers out of 3,062 entries that exceeded their target sales numbers by five percent or more. For this reason I believe it was a successful program."*

Louisiana

The Louisiana Lottery produces special retailer and clerk incentive campaigns to promote particular products, usually scratch-offs. Sometimes these promotions are tied to a player promotion and sometimes they are stand-alone promotions. Often such incentive campaigns are "across the board" but the Lottery may tailor the incentive itself based on grouping retailers by tiers according to sales level. Other times, the Lottery may partner with specific corporate chains.

During August and September of 2006, the Lottery targeted key corporate accounts to conduct "Ask for the Sale" promotions, including Cracker Barrel, Race Trac, Shop Rite/Tobacco Plus, and AMAR Oil. Together, the corporate chains accounts targeted for this particular promotion rep-

resent about 10 percent of the Lottery's retailer base. Because of the buy-in and assistance provided by each chain's corporate management, targeting them gave the Lottery more bang for its promotional buck.

Scratch-off sales in general were the main target of the promotion. However, the promotion's theme hinged on a newly launched licensed property with a play style new to the Louisiana Lottery – \$100,000 Hold 'Em Poker.

For the promotion, the Lottery awarded \$50 to the top 10 store managers with the highest percentage sales increase during the time period, and the winning stores were recognized for their performance. The Lottery also awarded gift packs including lottery tickets for the top sales performers and recognized the location with the highest dollar volume increase.

For the promotion, store managers and employees were allowed to wear blue WPT T-shirts on Wednesdays and Fridays. *"Logistics for T-shirt sizes and distribution went off without a hitch, thanks to the Tel Sell Team and our regional sales team."* said Jerry Richard, the Lottery's corporate accounts representative who spearheaded the promotion. *"A bench mark promotional success like this one can only occur with the effort of each CSR, Tel Sell and store manager at the Cracker Barrel store. One of the most important components that drives a promotion's chances for success is accurate and timely sales reports from our MIS team. The additional support tools created from our best of the best graphics team puts the piece de resistance to the effort. When everyone on the team pulls together, you can expect successful results. This sales team in Louisiana makes it all look easy."*

Sales increased by chain more than 20 percent for those who complet-

ed the promotion in August. Besides sheer sales increases, the promotion went a LONG way in forging better relationships with everyone involved, from corporate chain management down to the clerks who received Lottery T-shirts to wear on specific days of the promotion.

Michigan

The Michigan Lottery's most recent retailer incentive promotion launched in July 2002. The Lottery, which assigns a percentage-of-increase goal to each retailer, conducts a quarterly review of Instant ticket sales. Retailers that achieve their goal receive an additional 1 percent commission on all instant sales for that quarter. The Lottery feels this strategy allows a larger portion of its retailer base to participate.

Minnesota

The Minnesota Lottery now runs only one retailer incentive, which is on-going. Beginning in January 2005 (and updated in July 2006), The program, which was designed to help online products while assisting \$5 and \$10 instants, awards cash bonuses for selling Online jackpot winning tickets, plus bonus amounts for selling other high-prize Online or Scratch winning tickets. While the Lottery is not targeting a specific retailer group with its incentive program, it believes its top-selling chain accounts benefit the most from such a bonus program.

The Lottery believes this new strategy is successful, as it helps maintain good chain account relations, while providing all retailers with a prize that will motivate them to increase selling effort. At the same time, it drastical-

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CHANGE THE WORLD WITH US™



ly lowers the lottery's overall retailer incentive spending amount, an area which the Lottery felt provided poor short-term return on investment.

South Carolina

The South Carolina Education Lottery (SCEL) operates approximately three to four statewide retailer incentive promotions per year, the most recent being the "Mystery Shopper Retailer Incentive Million Dollar Mustang Summer Promotion", which ran from May through September of 2006.

In the "Mystery Shopper" portion of the promotion, retailers that met the established incentive criteria relating to proper signage could qualify for an entry to win \$100 in each of 4 monthly regional drawings. Each monthly drawing awarded 200 winners of \$100 in each region. A total of 600 \$100 winners were awarded each month.

In addition to the Mystery Shopper Incentive, stores could qualify to win up to \$10,000 in the grand prize event. Three players (finalists) will be selected to participate in the Million Dollar Mustang Summer Grand Prize Event in October. Three Ford Mustang Convertibles will be awarded and one of the Ford Mustangs will have \$1 million in the trunk.

Each entry envelop must contain \$20 of any combination of the 4 qualifying Million Dollar Mustang Summer games. Stores that sold the tickets qualified for two prizes of \$5,000 and one \$10,000 (based on what the finalist that purchased tickets at their store wins).

"This is the most successful program we do all year and we will continue to implement each summer to support our summer consumer promotion," said Ann Scott, SCEL deputy director of sales. "During this program, retailers are

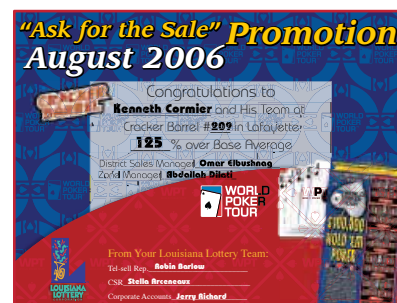
rewarded for correctly merchandising our product and placement of required signs as well as updating jackpot signs. It reinforces what we preach every day and rewards retailers for following lottery recommendations. It also gives the marketing rep an opportunity to reward their retailer accounts for implementing 'best practices' in lottery merchandising and product positioning. Also, the success of this program is largely due to the fact that the clerk and/or store level decision maker is rewarded, not just the owner or corporate headquarters."

West Virginia

In March 2006, the West Virginia Lottery, which runs three to four retailer incentive promotions per year, targeted its bottom 50 percent of PowerPlay retailers with its "Powerball X10" promotion.

Based upon the "Ask for the Sale" approach, retailers attempted to increase Powerball PowerPlay sales. For every \$300.00 in this product's sales, each retailer received an entry into a drawing for cash rewards.

Only 26 percent of all retailers qualified for an entry in the promotion, yet PowerPlay sales increased 17 percent over the baseline entry level of \$300. ♣



The Lottery/Convenience Store Relationship

Lottery products sold roughly \$60 billion in the U.S. and Canada in FY 2005. While giant supermarket chains account for a great deal of lottery sales, the National Association of Convenience Stores (NACS) says that roughly half of these sales are in convenience stores.

Lottery products are extremely important to convenience stores. NACS conducted a 1997 lottery study that produced a host of reasons for convenience stores to sell lottery products. NACS found that lottery customers shop convenience stores an average of 1.03 times per week more than non-lottery customers; frequent lottery customers spend \$7.07 per visit, infrequent lottery customers spend \$4.80 per visit and the non-lottery customer spends \$3.47 per visit (editor's note: this study was conducted in 1997, before the proliferation of high price point instants); and, on 95 percent of their store visits, lottery customers purchased at least one other merchandise product in addition to lottery (lottery was ranked fifth in terms of categories that generated impulse sales of other products). In 2005, the average convenience store collected \$12,899 in gross profits from lottery products (Source: 2006 NACS State of the Industry report, same-store sales).

Public Gaming International recently had the opportunity to interview NACS Director of Communications Jeff Lenard on the lottery-convenience store relationship.

Public Gaming International (PGI): How important are lotteries to the convenience store industry?

Jeff Lenard (JL): Lottery sales are important to convenience stores, especially because margins for gasoline are so low. While motor fuels sales account for about 70 percent of a store's revenues, motor fuels only accounts for about 30 percent of a store's profits.

PGI: What do lotteries bring to convenience stores that other products do not?

JL: Lottery provides another way to entice a customer to a store, and to be a regular customer. However, that doesn't mean it works for every retailer. There are a number of variables to consider, such as costs, ability to continue to deliver speedy service to all customers and how it affects space at the register/counter.

PGI: What can the lotteries do differently to motivate the retailers to be more dedicated to selling lottery products?

JL: What all retailers want, with today's withering competition, is the opportunity to consider as many profits centers as possible, including lottery.

PGI: In your estimation, how would retailers feel about a program of varied compensation – something where they might make less commission on lottery products than they do now, up to a certain sales threshold, and then making substantially higher commissions than they're making now after their sales exceed that threshold? Another plan could see retailers make substantially higher sales commissions, but they're required to buy into the program with a fee.

JL: The best thing that lotteries can do to get buy-in from retailers is to involve them as much as possible in the process. Make sure their voice is heard before games are rolled out, etc. ♣



Australia

Tattersall's has posted an annual net profit of \$128.5 million – \$1 million more than forecasted. The Company's annual revenue increased by 6 percent compared to the previous year, to \$2.5 billion. Chief executive Duncan Fischer says the result shows Tattersall's has made a successful transition to being a listed company after its debut on the Australian Stock Exchange last year.

Tattersall's is currently trying to merge with another gaming company, UNiTAB. Mr. Fischer says if a vote at an upcoming UNiTAB meeting is positive, the merged company could be operating by 2008.

Brazil

On August 12, Caixa Economica Federal (Caixa) successfully concluded the introduction of a new technological and logistical model in a network of almost 9,000 lottery stores across Brazil. In this new model, Caixa has the role of integrating a complex system, which involves storage, distribution and supply of lottery tickets and consumables; acquisition of new terminals and technical assistance; and rollout of a specific telecommunications network. Caixa is now assuming ownership of the lottery processing system that was developed internally.

A total of 25,000 terminals have been installed in lottery retailers in 3,628 Brazilian cities, replacing the 22,000 of the previous model. Extensive training has been provided for 45,000 employees and lottery store owners, and new working methods have been introduced. The transition to the new model was made with no interruption in lottery operations. The changes will allow Caixa to increase its capacity at retailers, with new services and much more agility. The new equipment is faster, saving an estimated 4 seconds per transaction.

Brazil's House of Representatives reportedly approved a bill creating a lotto game, Timemania (Teammania), which would use local football teams logos instead of numbers. The game, which requires the approval

of President Luiz Inacio Lula da Silva, is trading a percentage of the game sales for the right to use team logos. It is hoped that the game will help Brazil's football clubs, which are on the verge of bankruptcy.

China

Betex Group PLC has signed additional exclusive distribution agreements for its new lottery software to be distributed in seven Chinese provinces. Under the new agreements, the AIM-listed company said its software will be distributed to approximately 860 further outlets in Hebei, Heilongjiang, Shaanxi, Fujian, Hunan, Guangxi and Jiangxi for both Sports and Welfare lottery products. The new agreements expand Betex's distribution network to a total of 13 provinces.

Nicaragua

Oberthur Gaming announced the recent signature of an agreement with Loteria Nacional de Nicaragua for the supply of 30 million instant scratch tickets. This new contract is not the first to unify the two organizations, as OGT has been the supplier of Loteria Nacional de Nicaragua from 1996 to 2001.

U.K.

New figures show that the UK National Lottery has paid out more to good causes than any other lottery in the world. Despite being the world's fifth-largest, the UK Lottery handed GBP2.15billion to good causes and the Government, more than larger lotteries in Spain, France, Italy and Japan. The payouts amounted to 41 percent of lottery sales of GBP5billion. The top 100 lotteries in the world return an average of 26 percent to their respective causes. ♦

www on the internet

U.K. Offers Two-For-One Vacation Packages

Camelot launched a summer promotional campaign giving players the chance of scooping two-for-one offers on Thomson Holidays. EuroMillions players who bought their tickets at www.national-lottery.co.uk received a message on their purchase confirmation page offering them the opportunity to "Claim your 2-4-1 Thomson Holiday Here." Those who clicked through could choose from the selection of holidays available, with two adults booking for the price of one.

Sun-drenched destinations included Corfu and Ibiza. The offer ran through September 2nd. The promotion was part of a summer full of treats for National Lottery players. Lotto players are currently being offered their very own selection of treats to pick from when they buy a ticket at any National Lottery retailer or at www.national-lottery.co.uk. A message and a code number will be printed on every Lotto ticket, or on the confirmation page for online players, directing them to

www.NLTreats.co.uk. The list of two-for-one Summer Treats on offer at this web site range from bungee jumping to Ballroom and Latin Dancing, weekend breaks in top hotels to windsurfing lessons, go karting to golf lessons, manicures, meals out and massages.

Gassin' Up in Lucky, Minnesota

In September, the Minnesota Lottery helped twenty Lucky, MN residents top off their tanks for free. Residents of the Lottery's VIP club, "Lucky, MN," could win \$50 free gas just for taking a little poll.

Michigan Links to Texas Hold 'Em Locations

The Michigan Lottery's Charitable Gaming Division has created a link on its Web site that allows card players to search for Texas Hold 'Em and other licensed millionaire parties around the state. It's as simple as going to www.michigan.gov/cg and clicking on the Millionaire Party Locator link. ♦

People



Ohio Governor **Bob Taft** has appointed **Mike Abouserhal**, CPA, as the new Director of the Ohio Lottery Commission. Mr. Abouserhal, the Ohio Lottery's Assistant Director since Jan. 19, 2005, replaced **Tom Hayes**, who stepped down Aug. 18.

As Assistant Director, Mr. Abouserhal oversaw the Ohio Lottery's Division of Finance and Administration, and approximately 100 employees in the offices of Finance, Administration, Information Technology and Internal Audit. Mr. Abouserhal, who has extensive experience in both city and state government, came to the Ohio Lottery from the City of Cleveland, where he served as Assistant Finance Director from April 2002 to January 2005.

"I have great confidence in Mike's abilities," says outgoing Director Tom Hayes. "His financial and managing skills are well-suited for leading this \$2 billion organization, serving the citizens of Ohio."

Mr. Abouserhal, a Certified Public Accountant, holds a bachelor's degree in accounting from Cleveland State University. He and his wife and son reside in Westlake.



Gwen Penn was recently named the Ohio Lottery's On-line Products Manager, replacing **Sharon Murray**, who retired this past August. Ms. Penn, who holds a Master's of Management degree from Myers University, joined Product Development in March 2006. She's held positions in Finance, Hotline, Payroll, Vehicles and Security. She

began her Lottery career in 1988.

The Louisiana Lottery announced that **Dianne Brandon** has been named vice president of sales and **Steve Rosales** has been named vice president of internal audit. Brandon has served in various positions at the Lottery since 1997, most recently as the Baton Rouge regional manager. Rosales has also served in various positions at the Lottery since 1995, most recently as the Lottery's director of internal audit.

Cal Tabor has been promoted to Lafayette regional manager and **Victor Gray** has been promoted to New Orleans regional manager for the Louisiana Lottery Corporation. Tabor began working for the Lottery in July 1991 as a customer service representative in the Lafayette area. Gray began working for the Lottery in July 1991 as a customer service representative in the New Orleans area. Displaced by Hurricane Katrina in September 2005, Gray transferred to Monroe where he assumed the position of interim regional manager and led a sales team of five employees.

North Carolina Governor **Mike Easley** named utility executive **John McArthur** chairman of the state lottery commission, a day after **Charles Sanders** left the job. McArthur, a Progress Energy executive, former senior adviser to Easley and his chief counsel while attorney general, replaces Sanders, an outspoken lottery opponent prior to the lottery bill's passage who, upon accepting the role of chairman, made clear he would only hold the position for one year.

Dianne Thompson, Chief Executive of U.K. National Lottery operator Camelot, has been awarded the Chartered Management Institute's Gold Medal for her strategic direction and leadership in delivering the longest period of growth in the history of the National Lottery. The award, the highest honor bestowed by the Chartered Management Institute, acknowledges Dianne's role in building one of the most successful lotteries in the world, driving a program of innovation across the business, and maximizing returns to good causes across the UK. Dianne is only the second woman to win the award.

Camelot has reportedly appointed **David Connelly** as its new senior product manager. Connelly takes up the post at Camelot after spending the last three-and-a-half years at Premier Foods. Connelly will be responsible for Lotto and EuroMillions, and will report directly to Camelot's head of media and marketing, Daniel Heale.

The Hong Kong Jockey Club has elected deputy chairman **John Chan Cho-chak** to the organization's top post. The club also elected **David Eldon**, former chairman of HSBC who now heads the Hong Kong General Chamber of Commerce, as deputy chairman, while Cathay Pacific chief executive **Philip Chen Nan-lok** and **Michael Lee Tze-hau**, managing director of Hysan Development, were named as stewards.

The Lottomatica Board of Directors announced personnel changes in conjunction with the completion of the GTECH acquisition. **Rosario Bifulco** resigned as CEO of Lottomatica and will remain as the Company's Director. The Board of Directors acknowledged resignations of **Antonio Belloni**, **Marco Boroli**, **Roberto Drago**, **Pierluigi Celli**, in addition to **Antonio Tazartes** who already resigned, and appointed **W. Bruce Turner**, **Robert Dewey Jr.**, **James F. McCann**, **Anthony Ruys** and **Gianmario Tondato da Ruos** in place of the resigning Directors, all in charge until the next Shareholders' Meeting. The Board of Directors also appointed a Vice-Chairman, **Robert Dewey Jr.**, in his capacity as former non-executive Chairman and independent Director of GTECH. The Board of Directors appointed **W. Bruce Turner** (President and Chief Executive Officer of GTECH) as Chief Executive Officer-Managing Director and General Manager of the Company with responsibilities for all the activities pertaining to the new Lottomatica as holding company, the coordination of all the operating activities of the new Group, as well as those business activities not addressed to the Italian market, granting to him all the relevant powers.

Marc Crisafulli, GTECH Vice President Gaming Solutions Division, and **Tim Nyman**, VP of GTECH's Global Services, have both opted to leave the company. Crisafulli has taken the position of partner with the law firm of Hinckley, Allen & Snyder, while Nyman will continue to have a consulting role with GTECH.

Mark Zamarripa, the former director of the Colorado Lottery, and a former NASPL President, has joined Independent Lottery Research (ILR). Already a group with a broad base of lottery and research experience, ILR will be putting Mr. Zamarripa's twenty-five years of industry knowledge to use as Vice President of Business Development. ♣



Atlantic

Building on a 30 year commitment to youth and sport in Atlantic Canada, the Atlantic Lottery Corporation is proud to announce a \$500,000 contribution to help bring the 2014 Commonwealth Games to Atlantic Canada. Proceeds from a special edition Scratch and Win SuperPack will fund this important initiative. Top prizes are \$50,000 and a trip to Vancouver in 2010. However, this SuperPack also contains ten special \$5000 prizes – the lucky winners who scratch and win \$5,000 will also get to make a direct impact on sport in their community. Those 10 winners will get to designate a \$5,000 donation to a local sport association, which will be awarded in the winner's name.

Connecticut

The National Council on Problem Gambling ("NCPG") awarded the CT Partnership for Responsible Gambling ("Partnership") its 2006 National Award for Electronic Media for "New Home," a 30-second television public service announcement created by the Partnership. The Partnership's work was selected for excellence in raising public awareness of problem gambling.

DC

D.C. Lottery players are being invited to various Agent locations throughout the city as the Lottery celebrates its customers! D.C. Lottery customers will receive fun gifts just for doing what they do everyday, buying D.C. Lottery games.

Georgia

The Georgia Lottery Corp. has joined a growing list of state lotteries selecting Cole Systems' OrderPad Enterprise™ mobile sales force automation software. Licensed to equip up to 100 mobile sales representatives with Tablet PCs utilizing OrderPad software, the Georgia Lottery has given its mobile sales force the ability to make more informed selling decisions during in-person calls.

Idaho

The Idaho Lottery is incorporating several Internet tie-ins with area football teams to drive lottery sales. In one promotion, Idaho Lottery players can enter any three \$3 or more non-winning Lottery scratch tickets on the Idaho Lottery VIP Club website (vip.idaholottery.com) for a chance to win Idaho State University football tickets and a trip with the Bengals to Eastern Washington on November 11, 2006! The promotion started August 21, 2006 and ends, October 30, 2006.

Lottery Players can also enter 2 non-winning \$7 scratch tickets on the VIP site for a chance to win a trip with the Idaho Vandals to Hawaii on October 28, 2006. A total of 3 finalists will be drawn to attend the Boise State at University of Idaho game October 21, 2006. The 3 finalists will scratch oversized tickets. Prizes include a trip to Hawaii and the runner up cash prizes of \$200 or \$250.

Finally, Idaho players who purchase \$5 worth of WILDCARD tickets will receive a voucher to enter for a chance at a dinner package

for six people and press seats to see the Boise State University of Idaho game on October 21, 2006. The prize also includes a Lottery prize package. Of course, players need to enter online at the Idaho Lottery VIP Club website.

Kansas

One of the most popular instant tickets the Kansas Lottery has ever offered is back. For the third time, the Lottery is partnering with Cabela's® World's Foremost Outfitters on a new game, and this time, the \$2 Cabela's® Cash Doubler offers a \$20,000 Cabela's® shopping spree as the grand prize in a second-chance drawing. Players can also win one of two secondary prizes of \$10,000 Cabela's® shopping sprees. The top instant cash prize on the Cabela's® Cash Doubler ticket is \$10,000. The ticket also offers players a chance to win discounts on items purchased at the Cabela's® store in Kansas City, Kan. The Kansas Lottery expects the Cabela's® Cash Doubler to create considerable excitement among players. The first two Cabela's® tickets had combined ticket sales of approximately \$2.7 million.

Kansas Lottery players have come out in force to support the Lottery's John Wayne® and Beetle Bailey® games, prompting a reorder of both games from Oberthur Gaming. The Kansas Lottery originally launched the OGT licensed games as a perfect way to honor the men and women who have served in the U.S. Armed Forces; the games were so successful, the Lottery had to quickly reorder both products only a few weeks after their original launch. The reorders feature fresh artwork from the archives of John Wayne® and Beetle Bailey®.

Michigan

Fans of the Michigan Lottery's Daily 3 and Daily 4 games could double their chances of winning with the Straight Back Bonus promotion offered Sept. 4 through Sept. 24. The promotion was offered earlier this year and was brought back by popular demand.

Straight bet players who matched their numbers to the drawn number, "straight back" in reverse order, won a bonus payout. A straight bet is one in which the player is betting that the Lottery will draw the numbers in the exact order that he or she has. Boxed and 2-way bets were not eligible for the promotion.

The Michigan Lottery is bringing Instant game winning to a whole new level with the \$40,000,000 Spectacular Instant ticket! The \$10 ticket, which went on sale September 11, has over \$40 million in cash prizes, including 10 prizes of \$1 million! In addition to the \$1 million top prizes, the ticket gives players the chance to win 1.9 million prizes ranging from \$10 to \$100 and 20 prizes of \$10,000! Players who come up without a winner will get a second chance to win big with 12 second chance drawings. In each drawing, one lucky player will win \$1,000!

Missouri

Have you seen a beautiful garden in Missouri? If so, take a picture and enter it in the Missouri Lottery's 2008 calendar photo contest themed "Missouri Gardens." The photo selected for the cover of the

calendar will win \$500. Photos chosen for one of the 12 months will win \$100 worth of Scratchers tickets. All 13 winners will also receive a calendar and name recognition. The Missouri Lottery's annual calendar is distributed to Lottery retailers, winners and made available for purchase to players at molottery.com. The deadline to enter this contest is June 29, 2007.

Nebraska

Nebraska's "Power Up with Power Play" promotion will give players one numbered Bonus Raffle coupon for every \$2 Powerball with Power Play single ticket purchased. The promotion, which runs from 6:00 a.m. on Saturday, September 2, 2006 to Draw Break (8:30 p.m.) Saturday, November 25, 2006, will give players a shot at winning a 46" Sony Bravia HDTV each week. Winning Bonus Raffle coupon numbers will be posted on nelottery.com.

New Mexico

The New Mexico Lottery has teamed up with Brewer Oil Company and Town & Country Food Stores to offer a three-week customer promotion. The "Fill'er Up" promotion coincides with the August 29 debut of the new \$1 "Fill'er Up" Scratcher game with a top prize of \$2,500. Customers that purchase two \$1 "Fill'er Up" tickets AND eight gallons or more of gasoline during the promotion can enter the drawing.

To add to the excitement, New Mexico Lottery staff were at six locations serving as gas station attendants from years ago (before self-serve). They washed customer's windows and conducted lottery prize wheel activities for more fun and prizes.

Nine drawings were held statewide on September 22, with four prizes awarded at each drawing. Prizes included: gift cards for up to \$100 in gasoline, car washes, as well as food and Lottery premium gift packs.

North Dakota

The North Dakota Lottery, along with its promotional partners, Select Heartland Chevy Dealers, Ressler Chevrolet of Mandan, and the State Energy Office, teamed up to give lottery players' dreams a second chance. Any lottery ticket with a purchase price of \$5 or more qualified for a second chance to win in the "Your Dreams Deserve a Second Chance" promotion. The promotion gave players a chance to win a new 2007 Chevy Tahoe or thousands of dollars of GoE ethanol blended fuel. The sponsored 2007 Chevy Tahoe is a flex-fuel vehicle, which means it is designed to run on unleaded gasoline or ethanol blended fuel (E-85 or E-10).

Ohio

The Ohio Lottery's Raffle to Riches limited print game sold out at 10:45am on Friday, September 1, three days before the game's Labor Day drawing. In all, 509 winners shared four \$1 million prizes, five \$100,000 prizes and 500 prizes of \$1,000. Another raffle-style game is being considered for the first quarter of 2007.

Oklahoma

Due to the tremendous response in the initial Grand Prize Drawing of the Oklahoma Lottery's Trucks & Bucks game, held September 16th at the Oklahoma State Fair, the Lottery decided to give players another opportunity to mail in their entries. All entries received from September 1st through October 31st are eligible for a second drawing for a 2006 Oklahoma Edition Ford F-150 XLT Supercrew. Players can still win one of five Ford Trucks instantly by finding the truck symbol on their Scratcher ticket.

South Carolina

Six contestants assembled in Columbia to participate in the first taping of the South Carolina Education Lottery's game show, Carolina Power Deal! The contestants, who were guaranteed to win at least \$2,000, competed for a chance to win up to \$20,000.

Carolina Power Deal, a two-minute promotional game show, will be played only in South Carolina in conjunction with Powerball® and PowerPlay®. For more on Carolina Power Deal, see the August 2006 edition of Public Gaming International Magazine. (page 19).

Tennessee

If the chance to win \$100,000 instantly isn't enough, how about the opportunity to win a luxurious briefcase and another chance to fill it with \$100,000! One of the Tennessee Lottery's newest instant ticket games, "Deal or No Deal," offers just that with a series of second-chance drawings for cash and a choice of luxury briefcases. The drawings culminate with a final drawing that will award a briefcase... and \$100,000!

West Virginia

The West Virginia Lottery kicked off the new budget year with record sales for the month of July. July sales were \$138.18 million, 6 percent higher than July 2005, and 10 percent higher than June 2006. The state profited \$56.7 million from the sales. Racetrack VLTs were a major driver in the increase, pulling in \$90.6 million, a 3 percent increase over July '05; as was limited video lottery, which pulled in \$30.9 million, an 11 percent increase over July '05. Traditional games also saw an increase, as scratch-offs saw a 15 percent boost over July '05, and online games jumped 22 percent from July '05.

The Red Ball bounced back into the West Virginia Lottery's Daily 3 and Daily 4 games. The popular promotion will run from September 3 through October 23, as part of the Lottery's year-long 20th Anniversary celebration. The bonus drawing guarantees that in one of every six prizes in the daily game drawings will be increased by 20 percent. From Sept. 3 through Oct. 23, six balls will be placed in an extra nightly drawing machine. One of them will be red; five of them will be white. If a white ball is drawn, it will be discarded, increasing the odds of the red ball coming up during the next drawing. When the red ball is drawn, all Daily3 and Daily4 prizes won that night will automatically increase 20 percent. ♠