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GAMING

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Reporting on the convergence of Gaming, Online Lottery, Scratch-Offs, Internet, Mobile, Video and Casino Gaming.

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SMART-Tech 2010 in Manhattan, NYC.



**MAJOR PETER J. O'CONNELL
LOTTERY INDUSTRY LIFETIME
ACHIEVEMENT AWARDS:**

John Musgrave West Virginia Lottery

John Pittman INTRALOT, Inc.

FEATURE INTERVIEWS:

George Zenzefilis INTRALOT Interactive

Phillip Barow Gaming Laboratories International

Stefan Hrafnkelsson Betware

**SPECIAL WELCOME TO SMART-
TECH 2010 SPEAKERS FROM
EUROPE:**

Pierre Bruneau La Française des Jeux

Aleš Hušák SAZKA, Lottery Operator of
Czech Republic

Friedrich Stickler Austrian Lotteries &
President of the European Lotteries Association

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Chief Operating Officer
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Gavin Isaacs

Chief Operating Officer
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PGRI Institute is much more than a news aggregator. We follow-up on the news to deliver the perspective and genuine insight you need to understand the gaming industry and how it is likely to evolve. Any questions or comments, e-mail Paul Jason at pjason@PublicGaming.com or call U.S. + 425.449.3000.

Thank you!



PUBLIC GAMING RESEARCH INSTITUTE

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The Prospects for Good Causes Just Got Brighter

In these days of financial turmoil, with the resources of state governments severely tested, the need for fresh approaches to meet shortfalls has never been more apparent.

The **Powerball** and **Mega Millions** membership rose to the challenge with vision, collaboration, and superior execution. In the process, they changed “the game” forever. By cross-selling the Powerball and Mega Millions brands in the majority of the U.S., these lotteries created the largest market for jackpot draw games – in less than a year. They have changed the business outlook and development roadmaps for all U.S. lotteries going forward.

The scope of the market reflects the quality of the effort. Your drive, determination, and most importantly,

your dedication to work together made this exciting opportunity possible.

To each of the Powerball and Mega Millions cross-sell members, to your operations, security, financial, marketing, and sales support teams who worked nights and weekends, to your administrative support teams who went the extra mile and took the extra effort to make calls, set up meetings, and work with the public: Well done!

- 41 state programs thank you.
- 180,000 retailers thank you.

And all of the men and women here at GTECH salute your extraordinary accomplishment.



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From the Publisher

Paul Jason, CEO, Public Gaming International Magazine

By the time you read this, SMART-Tech 2010 will be in progress or behind us. The conference website that will be revamped to make available the video-recorded presentations is www.PublicGaming.org. (Our news website is “.com”. Our conference website is “.org”.) We will get these presentations up as soon as possible for everyone to view. This is all part of our “reinventing” the conference concept, which I pitch on page 40 (along with our next conference – Viva Las Vegas). A qualifier to my statement of our goals for “reinventing the conference concept” is that my enthusiasm for trying to make a difference not be taken as arrogance or presumption. I just think it is useful to state aspirations as foregone conclusions so that all I am left to do is the tiny little matter of execution. So, execute we will and hope for the best!

The next two years promise to be wonderful and seminal years for lotteries. The cross-selling of jackpot games is a tremendously impactful initiative just in itself. But the potential it may unleash for lotteries to forge collaborative ventures in completely new and possibly even unanticipated ways is, I would like to think, incredible. (Maybe an Internet gaming collaboration?) During this period too, U.S. states will likely be freed up to regulate Internet gaming as they choose. It is a shame it takes so long to clarify laws and enforcement Acts that should never have infringed upon states’ rights to control and regulate gaming in the first place. But this is changing. States themselves will likely move faster than bills before Congress. As reported in this issue, states like Iowa and others are exploring the options to move forward with intelligent regulatory policy that serves the interests of its citizens and protects the players from illegal operators.

We are stretching to increase value, relevance, and impact in all of our products. Our readership and commercial support has increased and this inspires us to dig deeper to find ways to improve the quality of all the products. Never one to be satisfied with “incremental improvement”, Susan and I promise to exceed expectations. One of our objectives is to greatly expand the breadth of our coverage. We’ll try not to compromise the depth of the feature interviews, but will sharpen the focus of those to allow for a broader range of people, markets, games, and topics to be covered.

Congratulations to the recipients of the 2010 Major Peter J. O’Connell Lottery Industry Lifetime Achievement Awards! John Musgrave and John Pittman were recognized by their peers and colleagues in the industry for the contribution they have made over many years of dedication to the lottery industry. We are very pleased and honored to host the award ceremony at SMART-Tech 2010 in NYC on March 24. Too, what a special treat it was to present Risto Nieminen and Dr. Winfried Wortmann with the Lottery Industry Hall of Fame Award at the European Lottery Marketing Seminar in London on January 27. Check out the photo gallery on pages 22 and 23.

Thank you to our interviewees and contributors! George Zenzefilis and I talked for quite some time at the IGE London show. That involved the launch of INTRALOT Interactive and how INTRALOT is positioning itself to support its customers’ expansion into e-gaming. But mostly we talk about how regulatory frameworks must evolve, and in fact are evolving, to enable governments to take a proactive approach to

this burgeoning sector. It is amazing to follow the court cases and legislative actions in countries all around the world, but especially in Europe right now. Philippe Vlaemminck is our on-the-scene advocate for European Lotteries. Philippe represents the European Lotteries in Brussels and shares his insights on recent court cases and tries to interpret the actions and opinions of the EU Commission. This month is an especially interesting piece on the broader role that regulatory policy has on social and economic life in Europe. Mark Hichar drills down into more specific focus with an analysis of credit card merchant account coding and classification procedures. The role of the credit card merchants is pivotal in determining what kinds of online transactions can be processed. The importance of their role will likely not change in the foreseeable future.

Gaming Laboratories (GLI) is always an object of study for all of us who want to understand where the industry is going and how to keep up with changing technologies and the marketplace. What really captured my interest, though, when visiting with Phillip Barow, was their fearless approach to changing internal organizational structures to improve performance. I think of engineering and technology focused companies as being more process driven. And GLI is very process driven to be sure. But the fascinating thing about GLI is that for all their technological sophistication, their focus is on enhancing value to the customer. And that is the corporate culture that comes across whenever you talk with GLI executives. Good thing, too, since I don’t understand the technology! Likewise, Stefan Hrafnkelsson’s focus on adapting to the changing customer needs is what drives Betware, a company that continually evolves its approach to the marketplace to serve their customer better. The trick of it is sometimes to get clear on exactly who the customer really is, or should be. Sure, everyone needs to be keen on the aspect in which the player is the ultimate ‘Decider’. But we’re all occupying a different space in the value chain that leads to consumer satisfaction. Betware’s dynamic approach to enabling its Internet gaming software and game content keeps it on the leading edge of the industry.

Matt Mansfield of GTECH talks about the need to blast through theoretical models and perceived obstructions to get to the real-world practical business solutions that produce results. The guide on this journey is the Customer. And Mike Chambrello shares with us Scientific Games’ vision for arming the government-sponsored gaming operator with the most sophisticated tools in the Internet Gaming space. Sciplay pulls together the internet gaming resources and capabilities to support the government-sponsored operator.

And, congratulations to the Kentucky Lottery. The World Lottery Association (WLA) is such a valuable resource for all lotteries all around the world. WLA certification will be an increasingly important prerequisite for the lottery operator. This is a formal and disciplined process of helping lotteries acquire the skill-sets and capabilities to continue to be the leaders in the gaming industry.

Thank you all for your support. We need it and depend upon it and are dedicated to working hard to earn it. I welcome your feedback, comments, or criticisms. Please feel free to e-mail me at pjason@publicgaming.com.

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2010 Major Peter J. O'Connell Lottery Industry Lifetime Achievement Award



John C. Musgrave

Director, West Virginia Lottery
Past President of the National Association of
State & Provincial Lotteries (NASPL)
Past President of the Multi-State Lottery
Association (MUSL)
Past Chairman of the PowerBall Group

John C. Musgrave was appointed Director of the West Virginia Lottery by Gov. Cecil Underwood in April 1997, and has been consecutively re-appointed by Gov. Bob Wise and Gov. Joe Manchin, III during his tenure at the Lottery. A native resident of Point Pleasant, WV, Musgrave brings to the Lottery a strong finance and leadership background with more than four decades of public service experience at the federal, state and local levels.

On Nov. 1, 2003, Musgrave was appointed Deputy Secretary of Tax and Revenue by Gov. Bob Wise, and assumed the title of Acting Cabinet Secretary. By Executive Order, dated Nov. 21, 2004, he was appointed Acting Secretary of Administration for Budget, directing the operations of the Budget office including the Tax, ABCA, Banking, Racing, Municipal Bonds, Insurance and the Athletic/Boxing Commissions. While assuming these additional responsibilities, he continued to serve as Lottery Director.

From 1981 to 1994, Musgrave held several executive-level, administrative positions with the U.S. Department of Agriculture including associate administrator of the Rural Development Administration, where he was responsible for a \$72 million administrative budget and more than \$1.25 billion in program funds. As special assistant to the undersecretary of Agriculture, he assisted in directing 12,000 employees in 2,200 offices with a budget of more than \$60 billion. He also served as regional director of the Rural Development Administration for the seven-state, Mideast Region.

Musgrave served 12 years as state director of the West Virginia Farmers Home Administration, where he supervised agency credit assistance and economic development programs for West Virginia with a loan portfolio of more than \$900 million.

Serving 10 years in the capacities of county and city government, Musgrave also held the positions of Development Director for Mason County, and Mayor of the City of Point Pleasant. His service to the State continued as President of the West Virginia Municipal League; Chairman of Region II, and Chairman of the West Virginia Solid Waste Authority. Musgrave has also been privileged to receive dual honor of being designated as a Distinguished West Virginian by two different governors.

In his capacity as Lottery Director, Musgrave currently serves as Past President of the Multi-State Lottery Association (MUSL), and was previously Chairman of the PowerBall and Video Lottery Groups for this Association. Musgrave also recently served as President of the North American Association of State and Provincial Lotteries (NASPL) where he was responsible for leading 52 Lottery organizations in the U.S., U.S. Virgin Islands and Canada.

Director Musgrave has a degree in Business Management from the University of Charleston. A veteran of the U. S. Air Force, Musgrave is married to Rebecca, his wife of 48 years. Together they share in the joy of their two children and six grandchildren. ♦



John Pittman

Vice President of Marketing, Intralot, Inc.

John Pittman began his lottery career in 1977 at Scientific Games as one of that company's first 20 employees. This was a time when just a handful of U.S. jurisdictions even had lotteries. Over the years, John rose to the position of Executive Vice President and part of the senior management team. John was instrumental in the early growth and success of Scientific Games. John's developed a special competency with lottery start-ups, earning his reputation on the start-up teams in Colorado, Oregon, Washington, the District of Columbia and California. John led the team that started the Iowa Lottery in 1985 in a record 115 days after the passage of the Lottery's enabling legislation. He then led the start-up efforts for the West Virginia, Virginia, Montana, and Florida lotteries.

Over the years, John has made a number of significant technical contributions to the Lottery industry including his participation in the development of the first GLEPS (Guaranteed Low End Prize structure) instant ticket solution, the "Dual Security" method of printing instant tickets, the first "Spin & Win" lottery game and the launch of the first instant ticket cooperative services program in the U.S. lottery industry.

In 1988, after 12 years of continued growth and success with Scientific Games, John founded Lottery Support Group, Inc. John and his team helped lotteries all around the world navigate a myriad of challenges; everything from security and operations to communications, systems and software, as well as marketing, sales and public relations.

In the U.S., John's Lottery Support Group won contracts to provide start-up services to new lotteries in Kentucky, Indiana, Louisiana and Texas. Taking the start-up model that he developed at Scientific Games, his Lottery Support Group began writing comprehensive Request for Proposals (RFPs) on behalf of lottery clients in the U.S. and around the world – everything from the procurement of instant game ticket printing and back-office systems to RFP's for on-line gaming systems, advertising services and facilities as well as other services; that at the end greatly assisted these Lotteries in obtaining the best products and services at the best price. John worked with the Louisiana Lottery to introduce the first continuous scene game called Louisiana Treasures, two games with different price points at start-up, and starting operations with the first on-line system for validation of instant tickets.

Texas was a special challenge for John and the Lottery Support Group. The legislation mandated that it could have no more than 186 employees statewide. To put this in perspective, at the time the California Lottery had over 1,000 employees. The model that John and his team developed was so successful it is now referred to in the industry simply as the "Texas Model".

In 2002, Tom Little asked John to join him at INTRALOT. The story of INTRALOT's success in the United States could not be written without John Pittman. Not only is he a valued member of the senior management team, he is a friend to the industry, and honored to have served the good cause that is government-sponsored lotteries. ♦

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George Zenzefilis

General Director of INTRALOT Interactive

Government lotteries are moving into the Internet Gaming space in a number of interesting ways. Perhaps surprisingly, this discussion returns again and again to how government lotteries are positioned far better than anyone else to be the leader in this category.

Public Gaming: *INTRALOT Group develops a wide range of gaming products that all exist as part of brand INTRALOT. Why create a new brand called INTRALOT Interactive?*

George Zenzefilis: INTRALOT's success is built on a very unique proposition that addresses the entire breadth and depth of the needs of the lotteries' worldwide:

Excellence in both products and services across all market verticals, combined with the proven ability to deliver through local deployments and partnering relationships across all continents, INTRALOT has successfully managed to become the one-stop-shop for the modern lottery.

INTRALOT Interactive has been created by the need to take this successful model and transform it for the Interactive gaming space. While the core values are common, as is our innovation focus, the new organization will allow us to rapidly assimilate all of INTRALOT's existing new media and interactive assets, together with best-of-breed partnerships in the areas of content and marketing in order to create the same one-stop-shop concept.

Governments around the world, are actively looking now in regulating the Industry within their national boundaries, creating rules and regulations is a good and healthy step towards building the foundation that will enable the industry to really take off and grow. The approach that many are taking is to create rules that enable private operators to co-exist with traditional lotteries. These private operators are required to comply with terms and conditions that qualify them to be licensed to offer a new range of games with the Internet, and possibly with the mobile and television.

What is the most successful model of such a co-existence of private operators with traditional lotteries? Are lotteries well placed in this new environment?

G. Zenzefilis: A notable example of such a progress is Italy. The Italian model is a landmark case for the gaming industry in Europe. Italy's regulatory initiatives laid the foundation

for operators to move forward and now there is significant growth and the creation of brand new markets. It's not just growth in revenues, which has been certainly impressive, and revealed the dynamics of regulating the industry, especially when the initial offering was a subset (e.g tournament poker as the first step) of the full spectrum. There are new players and new markets that have great upside potential.

Now there's France, Spain, Denmark, and others who will be moving quickly in the same direction, creating the regulatory frameworks that will serve as the foundation for growth. The interesting thing is that lotteries are in the best position to move into this space and become the dominant operator in the internet and interactive gaming space. Lotteries' widespread and established retail networks give them a formidable advantage with a POS presence that nobody comes close to matching. Their understanding of problem gaming and the tools they have built to support responsible gaming give them a great advantage because regulators will require that all operators meet a high standard in that area. And the value of a trusted brand in the gaming industry will be even greater in the Internet and mobile space. Private operators are playing catch-up with lotteries in these and on so many competitive fronts.

We are excited about the potential for lotteries to dominate this space because our business has been built on the promise of helping lotteries and regulated operators optimize their potential in every way they can. Now we are extending that focus to the Internet space with the INTRALOT Interactive.

Does it seem like we are tiptoeing towards a resolution between the European Union Commission demand for opening up the markets and the lottery's desire to preserve their monopoly or at least some stability in the gaming markets? It looks like the Italian and French models may be beacons for what the future will be.

G. Zenzefilis: I think Italy has been a bal-

anced attempt between opening up the markets to more than one service provider and maintaining stability in the marketplace. There needs to be a regulatory framework that supports a marketplace that is both stable and dynamic, able to grow, innovate and evolve, and accomplish this without getting out of equilibrium. Responsible gaming standards must be upheld, taxes must be collected, and a fair competitive environment be maintained. Competition is a healthy driver for operators to continually improve and for products and games to get better, but only if all competitors are held to the same standards and are set under the same taxation framework. We will all learn from the experience in Italy, but clearly things are moving in a good direction.

A controversy has emerged over the issue of whether the member-state should have the right to require the operator to locate its transaction-processing servers in the jurisdiction where the player resides. The remote operators insist that is not a reasonable demand, that they should not be required to locate servers in each country where they operate.

G. Zenzefilis: There is indeed debate over this issue. The answer involves both public policy and technological issues. From a technological/operational point of view, you do not need to have all infrastructure based in the consumption country. Processes related to auditing and safeguarding the transactions, or integrating to local authorities could certainly be efficiently implemented in a number of ways. Even so, we support that the national legislation always has to be respected. The member-state may have perfectly legitimate concerns that cause them to require servers to be located in their country. As long as regulatory requirements like this are applied equally to all operators and the EU Commission does not rule that they are restrictive of trade and commerce, then this can prove to be the base of a healthy competition in the country.

...continued on page 29

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Phillip Barow

Managing Director of GLI Europe,
Gaming Laboratories International (GLI)



What makes the globalization of GLI a most interesting story is that the nature of their business spans a confusing array of technological change, cultural and political diversity, and regulations and licensing requirements that differ throughout the world. GLI is an innovator in so many different ways, and now we can add to that the area of business process engineering. And the thing that drives this company so steeped in technology is the customer – making everything easier, faster, better for the customer.

Public Gaming: *I read an article describing GLI's recent efforts to integrate international operations, and identifying you as making a special contribution to this initiative. Lots of companies have offices on different continents. What does it mean to integrate international operations?*

Phillip Barow: Like you mentioned, it's easy to set up sales and admin' offices all around the world. Integrating operations in a way that empowers each office with the full capability of the company's resources is where the challenge lies. There are really two objectives which can be difficult to implement hand-in-glove. One purpose of having a local office is to inform your operation and customer service with the culture and perspectives of the local market and jurisdiction. The other purpose is to bring to the local market the resources of the large, global corporation. Your staff and business processes need to integrate a deep knowledge of the local markets with the world view of a global industry and corporate enterprise. "Think globally, act locally" is the cliché, and it can be very challenging to achieve.

That would seem especially so with GLI. Your business is so data intensive with very complex IT requirements. And your corporate mission involves making sense of a huge variety of complicated regulatory frameworks.

P. Barow: It's true that GLI's brain-trust and information resources are immense. Organizing

it so that the right information and support are effectively disseminated to the right places at the right time is the challenge. GLI has done an incredible job over the past 20 years in the North American market serving regulators, developing a robust internal IT system, developing tools that make life easier for our customers like GLI Verity and GLIAccess. All that information is disseminated to every regulator in North America. They know how to use it, they're trained on it, they get regular updates. But enabling our international offices and customers to efficiently access the full extent of these capabilities and resources was challenging. I started working with James Maida (President and CEO of GLI) about three years ago to create the fully integrated, seamless platform that now supports all aspects of GLI's global operations.

The way the regulation of the gaming industry has evolved, there is an endless variety of different rules and regulations governing this industry. How does your focus on integrating operations internationally help your customers get more information and data more quickly and cost-effectively?

P. Barow: What you're referring to is an important point. It's a subtle thing that not everyone is aware of. Markets are developing without an adequate awareness of what's happening in adjacent markets; and without always assessing other markets that share some characteristics and

taking advantage of being able to use the experiences of one jurisdiction to inform the process of building a new regulatory framework in another. Regulators all around the world are working with the parliamentary and legal bodies that are creating the regulatory laws and licensing requirements. Sometimes they go about this process without benefit of referencing the ten or fifteen other regulators who have dealt with the same issue. This is exactly the kind of thorny problem an effectively integrated operation addresses. Our local people speak the local language, understand the local political and legal frameworks and mechanisms, interface with the local regulators, and inform all this with the database of GLI knowledge and global resources. So we're able to describe how your particular problem or dilemma was handled in a different jurisdiction. We can even give them the contact info for them to talk with their regulator colleagues in a different jurisdiction who have dealt with the same circumstance. Similarly, we are able to help regulators understand how they might evolve their frameworks as the markets mature. All this is made possible with our broad experience with countless jurisdictions from all around the world. But it's made a reality with the effective business processing and IT infrastructure, along with smart staffing, that has come to bear with our focus on truly integrating our global operations.

...continued on page 28

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Stefan Hrafnkelsson

Chief Executive Officer
and Managing Director
of Betware

Inter-operability and open standards are a big theme with electronic games. Likewise with internet and interactive gaming. The operator wants an IT platform that supports plug and play flexibility to implement games and content from multiple suppliers. Operators need to offer the games and content that players want to play, and that will mean accessing the game portfolios of many different providers.

Public Gaming: *Will operators depend on one supplier to implement the platform and games and technical solutions? Or will they deal with multiple suppliers, shopping around for the very best solution in each component part of the business?*

Stefan Hrafnkelsson: In the lottery market we have seen one supplier supporting complete needs for each lottery, in some cases with the exceptions of alternate channels (Internet, mobile, IPTV). In the private market we have on the other hand seen operators shop around for best-of-breed solutions, in many cases having different suppliers for each game zone (lotto, sports, scratch, bingo, casino, poker, casual, skill, multiplayer). In the future we expect to see the private market trend to propagate to the state lotteries as well. The most important thing for operators is to select a versatile platform that can grow with the operators

and support them with the flexibility they need to compete and survive on the market.

On top of the platform the operator will offer as many types of game zones as possible. Technically operators can choose the same supplier for all game zones and platform, but it is unlikely that one supplier can support all the “best-of-breed” games. This will lead to competition where each operator is expected to have one or more technical suppliers to support them.

This scenario will lead to joint ventures and collaborative relationships and acquisitions that have already started to take place over the past couple of months, where major players are buying their way into new game zones to support “complete” solution. This is a very good thing for the operators. Commercial suppliers are collaborating to make sure they are offering the entire suite of products and that each component of their

offering is best-of-breed. Unfortunately integrating heterogeneous systems can be difficult and the importance of open flexible platform should not be underestimated.

How will the end product look to the customer, the player? Will it all appear seamless and easy to navigate?

S. Hrafnkelsson: Good question because one big change happening right now is the implementation of Single Sign-on. Single Sign-on allows the player to sign-on once and have access to all of the operator's games and products even though they are from different suppliers. Operators should focus on implementing Single Sign-on to have the flexibility to plug and play games and other content from different gaming suppliers, with much less integration cost than in the past.

Is it accurate to think of Certus as the content provider and Betware as the platform provider?

S. Hrafnkelsson: Certus main focus is clearly to be a content provider, supporting over forty skill and casual games, but at the same time they are supporting the community and multiplayer engine behind their multiplayer games. Betware on the other hand has put most of its focus on platform build-up, supporting SDK (Software Development Kit) for easy integration with 3rd parties and supporting all the controls and features the state lotteries request. Betware is also supporting all the popular game zones offered by state lotteries, such as lotto, sports, bingo, scratch and racing.

But Betware's customer can implement other's game content, and Certus game content can be implemented on other platforms, correct?

S. Hrafnkelsson: Exactly. We envision a dynamic marketplace which is geared

totally towards delivering the very best product to the player. We don't think that 100% of the customer's needs can be met by Betware's solutions and Certus portfolio of games. We would contend that no company has all the right products, and all the games to meet the needs of their customer. Betware therefore focuses on an open architecture aiming to meet the needs of the operator by offering Vertical solution, like game zones that can be run on top of 3rd party platforms, but at the same time promoting our own platform and support Single Sign-on and easy integration with 3rd party game zones.. The operator requires us to be flexible to affiliate with other commercial suppliers to make sure they get the best and only the best. That is the direction that we feel the industry is going in and that is why Betware and Certus have created inter-operable products and are reaching out to build affiliations with the commercial community of gaming suppliers. Our products, services, and games can augment almost every internet and interactive gaming system.

The interactive and internet gaming marketplace is opening up and moving into a new stage of development and growth.

S. Hrafnkelsson: It is true that the markets are opening up and are really poised to grow. Most of the legal and regulatory obstacles in the European market are behind us. In the past, governments and

state operators have been struggling with legal challenges from the private sector. Private operators used to insist that the Treaty of Rome requires all EU member-states to allow free and open access to their markets. Private operators thought this meant that they could be based within any EU member-state and did not need to get licensed in each of the other individual jurisdictions. It was not clear which direction things would go, whether the markets would be forced to open up to the private sector. A solution seems to be that the markets are opening up to the private sector but the private operators and suppliers need to comply with the laws and regulations of each member-state. Today it looks like the private market is accepting that condition and jumping into the state licensed market, figuring out how to work within the highly regulated sectors and how to get properly licensed in each jurisdiction. Now it appears that they are accepting the responsibility to get licensed in each jurisdiction that they want to operate in.

How do you see the market develop going forward?

S. Hrafnkelsson: I see the European markets continuing to change in this way, so that each member-state controls access to its market and that the private operators can and will be more or less blocked out unless they comply with all the rules of that state; and meet all the requirements to get licensed

and pay taxes. The main thing is that the rules and regulations are becoming clearer so that operators and commercial suppliers know what is expected of them and are able to move forward. Governments must know what the EU Commission requires to be compliant with EU trade laws. With that knowledge, governments can enact laws and regulations that create the foundation for growth in the internet gaming market. And that is exactly what is happening. We see this especially in France, Italy, Denmark, and Spain. But all the other countries will likely re-regulate to enable the internet gaming industry to develop.

That would seem to be a good thing for Betware because you have always focused on meeting the demands of the highly regulated markets.

S. Hrafnkelsson: Yes, that is true. We at Betware partner only with operators who are fully and legitimately licensed to operate in the jurisdiction that they offer the services. Most operators are licensed in one jurisdiction, but market their products in many jurisdictions. But that's not good enough. They need to be licensed in the countries where the players reside. Betware provides them with the tools and capabilities to meet whatever rules and regulations apply to each jurisdiction.

Betware's strategic focus will be partnership with the commercial community to deliver the best solutions, best services, and best games to the customer. ♦

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Philippe Vlaemminck & Yves T'Jampens

The “Economics” of the State Lottery Internet Business: The EU Legal Perspective.

“In recent years gambling and games of chance have increased significantly. They now constitute what may be described as a considerable economic factor. In the first place, they generate a very large income for the organisations that operate them. Secondly, they provide a substantial number of jobs in the different Member States. (Opinion of Advocate General Y. Bot in the Liga Portuguesa de Futebol case before the European Court of Justice, §27)”

The European Court of Justice (ECJ) has consistently held that the funding of good causes can only be an ancillary benefit of a restrictive policy, but never provide a legally acceptable reason for restricting gambling services in an EU Member State. This statement was also endorsed by the EFTA Court for Norway. The situation became even worse when the ECJ decided in Gambelli that a Member State policy can only be restrictive if it aims at a genuine restriction of gambling opportunities. This statement was largely used by some private operators to undermine the various state regimes by pointing towards the “economic” approach of lotteries through intensive advertising and other forms of marketing in order to increase turnover and profit for the State.

The judgment of the ECJ in Placanica brought relief when the Court ruled that a policy of controlled expansion was acceptable when restrictions were imposed upon gambling services to protect the consumer against crime and fraud. The EFTA Court considered that such policy of controlled expansion was equally acceptable when the objective pursued by the concerned government was to protect the consumer against the risks of excessive gambling and addiction. This EFTA Court ruling is today questioned in several ECJ cases by the Advocate General of the ECJ.

In recent opinions in Liga Portuguesa de Futebol and Sjöberg, the Advocate General of the ECJ went deeper into the “economic” question. According to Advocate General Y. Bot it falls to each Member State to assess, having regard to its own situation and its social and cultural characteristics, the balance to find between, on the one hand, an attractive range of games in order to satisfy the desire to gamble and to channel it into a lawful system and, on the other, a range which encourages too much gambling.

He added that the power of the States should only be limited by primary EU law (meaning the EU Treaty) to the extent of prohibiting conduct whereby a Member State deflects restrictive measures from their purpose and seeks the maximum profit. In other words, a Member State should be constrained to open to the market the activity of games of chance and gambling only if that State treats it, in fact and in law, as a true economic activity from which the maximum profits should be derived.

The case addresses the issue of Internet gambling and the right of States to prohibit cross border supply even by an operator legally licensed in another jurisdiction. The Court did indeed accept in Liga Portuguesa de Futebol that a Member State was “entitled to take the view that the mere fact that an operator such as Bwin lawfully offers services in that sector

via the internet in another Member State, in which it is established and where it is in principle already subject to statutory conditions and controls on the part of the competent authorities in that State, cannot be regarded as amounting to a sufficient assurance that national consumers will be protected against the risks of fraud and crime, in the light of the difficulties liable to be encountered in such a context by the authorities of the Member State of establishment in assessing the professional qualities and integrity of operators”. In terms of European law, this means that the so-called principle of mutual recognition does not apply. According to this principle Member states need to take into consideration the licenses granted in other Member States. In gambling the Court has denied that this principle is applicable.

In line with the WTO Appellate Body ruling in US cross border supply of Internet gambling services- complaint by Antigua, the European Court took the view that “because of the lack of direct contact between consumer and operator, games of chance accessible via the internet involve different and more substantial risks of fraud by operators against consumers compared with the traditional markets for such games.”

The Court did therefore accept that a total ban on cross border supply of Internet gambling services, combined with a monopoly operated by an entity under strict state control was an appropriate way to confine gambling within controlled channels. Such approach is, according to the Court, appropriate for the purpose of protecting consumers against fraud on the part of operators.

In Sjöberg, the Advocate General seems to go even one step further by stating that in such circumstances it is not relevant whether the entity concerned operates a normal economic activity and tries to maximise profits.

Indeed in his opinion in Sjöberg dated 23 March 2010, Advocate General Y. Bot argued that “if a national measure seems appropriate to protect the consumers against the risks of crime of fraud entailed by games provided via the internet, as is the case with a monopoly granted to a state controlled entity – a restriction which can even result in a total prohibition for foreign operators to accede the market, regardless of the legal frame in their country of establishment – it can be compatible with EU law”. He adds that it is not important for the compatibility assessment whether the entity involved exercises its activities as a normal economic service in the light of maximising profits and whether the measure achieves its other pursued objectives (such as the protection of the consumer against gambling addiction).

Whether the Court will follow this reasoning, is not certain, but if that

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[2] Yves T'Jampens (Y.Tjampens@vlaemminck.com) is a senior associate of Vlaemminck & Partners and primarily involved in the operations of multi-jurisdictional games as EuroMillions, and in corporate and financial law.

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Although New MasterCard Rules Require Blocking of All Online Wager Purchases, A Transaction Coding Change May Provide a Way Out.

By Mark Hichar



As was widely reported in late November, 2009, compliance by financial institutions and other payment network participants with the regulations issued under the Unlawful Internet Gambling Enforcement Act ("UIGEA") was delayed six months, from December 1, 2009, to June 1, 2010. Those regulations are in furtherance of the UIGEA requirement that payment systems, and all participants therein, identify and block "restricted transactions"

– which, generally, are transactions involving credit or debit cards, electronic funds transfers, checks and other payments in connection with an individual's "unlawful Internet gambling" – in general, placing a wager via the Internet, where such wager is unlawful under any applicable federal or state law where the wager is placed or received. The regulations fulfill the law's requirement that covered payment processors and financial institutions establish policies and procedures "reasonably designed" to (a) permit identification of restricted transactions by means of transaction codes or by other means, and (b) block those transactions.

Online magazines and blogs have been abuzz in February and March, 2010, declaring that, with increasing frequency, MasterCard card issuers have been denying Internet gambling payment transactions relating to Internet gambling in the United States. Some have reported that Visa is following suit. Both card companies have denied doing this, however, saying that their policies in respect of Internet gambling have not changed. Whether or not a crackdown is underway, it is clear, at least in the case of MasterCard, that its rules in regard to Internet gambling have changed. (Visa appears not to have changed its rules applicable to transactions originating in the U.S., at least since November 15, 2008.)

The MasterCard Rules, which are applicable to participating financial institutions and payment processors, and the "Maestro [Payment Network] Global Rules" (applicable to entities using the Maestro payment network), were in fact changed and those changes reflected in new versions of those Rules issued November 6, 2009 and November 11, 2009, respectively. The changes to the prior versions of those rules (which are easily identifiable) suggest that MasterCard, anticipating the effective date of the UIGEA regulations (which was to be December

1, 2009, until that date was extended as aforesaid), initially decided to require card issuers to block all Internet gambling transactions, whether or not unlawful.

By way of background, recall that the UIGEA regulations provide a safe harbor for certain policies and procedures of card system operators, transaction acquirers, third-party processors and card issuers. Their policies and procedures for card system participants will be deemed to be "reasonably designed" to identify and block restricted transactions, if they provide for either:

(a) due diligence procedures in establishing new commercial customer accounts and, if the participant has actual knowledge that an existing commercial customer engages in an Internet gambling business, procedures to confirm that the business is lawful; or

(b) Implementation of a code system, such as transaction codes and merchant/business category codes, that are required to accompany the authorization request for a transaction;

and in any event, in regard to card system operators, transaction acquirers and third-party processors, they include steps to be taken when the participant has actual knowledge that a merchant has received restricted transactions through the card system – e.g., denying the merchant access to the card system and/or closing the merchant's account. However, to the extent the participants do not deal directly with the commercial customers (e.g., Internet gaming business operators), the only safe harbor available will be the one described in (b), namely implementation of a code system to identify and enable blocking of transactions. The UIGEA law and regulations exempt these participants from all liability for blocking transactions that were not restricted – i.e., were lawful and thus not related to unlawful Internet gambling – provided that such participant (a) relied on the policies and procedures of a payment system or (b) reasonably believed the blocked transactions to be restricted.

The MasterCard Rules and Maestro Global Rules contain identical language stating that "with respect to any Internet gambling transaction involving a U.S. region cardholder, the issuer of the card must either employ a method of systemic transaction blocking or decline all such transaction authorization requests on an individual basis." This suggests that MasterCard card issuers must block all Internet wager purchases involving U.S.-based cardholders – individually, or via a method of systemic transaction blocking – whether or not the transactions are unlawful. This strict interpretation is supported by the definition of "Internet gambling transaction," which places no relevance on whether a transaction is unlawful or not. The Rules state: "An Internet gambling transaction is any transaction that the acquirer has identified in the authorization request message as both (a) a gambling transaction, by the use of MCC 7995..., and (b) an e-commerce transaction, by the use of a value of 6 (electronic commerce transaction)..." In practice, this will cover all Internet wager purchases, whether or not unlawful, because:

(1) "gambling transaction" is defined as "[a]ny transaction, other than an ATM transaction or PIN-based in-branch terminal transaction [i.e., a transaction at an attended terminal at the premises of a member bank], involving the placing of a wager, the purchase of a lottery ticket, in-flight commerce gaming, or the purchase of chips or other value usable for gambling in conjunction with gambling activities provided by wagering or betting establishments such as casinos, race tracks, jai alai frontons, card parlors, airline, and the like;" and

(2) "[a]cquirers must identify all gambling transactions with MCC 7995 so that [card] issuers are fully aware of the nature of these transactions;" and

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B2C, B2B, and now B2G BUSINESS TO GOVERNMENT

By Paul Jason, Publisher of Public Gaming International Magazine

The world of commercial internet gaming companies is changing even faster than the market itself. This is to be expected, of course, because it's their job to see which way the wind is blowing and to try to adjust their course to catch the tailwind. There are a multitude of customer-facing operators trying to build their businesses and increase revenues. Come to pass that these operators are now proclaiming a shift in their business focus from Business to Consumer (B2C) over to Business to Business (B2B). What does it mean when a whole herd of consumer-facing businesses does this? It means that they are not successful at selling their product directly to consumers so instead they'll try to sell it to each other. It's kind of analogous to the .com era of a decade ago when there was huge amounts of capital that flowed into the business of helping online stores sell more petfood. They touted their businesses as somehow being less vulnerable to the vagaries of online retailing because they were selling the tools, the "picks and shovels", and therefore not dependent on that rascally consumer to actually buy something.

Likewise in the internet gaming space...it's the connection to the consumer that drives the business. The consumer-facing internet gaming operators are losing that connection, they know it, and so they are struggling to adapt and reposition themselves as B2B. Basically, they're all moving into the business of selling to each other as well as selling to the consumer. When I say "all," I don't think I am exaggerating. Unibet just announced that they will now be providing a full sportbetting solution to another customer-facing internet gaming operator called Paf. So that means that Unibet is joining everyone else who is looking to the B2B market to revive their growth prospects. Among those who made this transformation to B2B in recent months are bwin, Betsson, 888 (with its B2B subsidiary Drangonfish), PartyGaming, Gaming Media Group, and Paddy Power. Did I leave anyone out?

Some of these operators will survive in the B2C market. But it's too little and too late for most of them to make a dent in the B2B market. Staying on the wrong horse for too long they will almost certainly be outmaneuvered by much more experienced and able competitors. They will all end up selling to each other and not to the businesses that will dominate the internet gaming space. The businesses that will dominate the internet gaming space are, ta-da...Government and government-sponsored gaming operators. Hence, a new business model classification, Business to Government or "B2G." Yes, there is the big deal that Danish Lottery Danske Spil just made with private online operator Partygaming. But that was more of a strategic move on Danske Spil's part to take out its competitor. I'm waiting to see a deal where a government operator actually chooses one of these online operators over the commercial partners who have spent the past decade perfecting their "game" in the B2G market. These are the companies which have invested all their resources on developing the products, the games, the platforms, and the incredibly sophisticated technologies behind the security, reporting, and game management systems required by Government-sponsored gaming operators. This new sector, Business to Government (B2G), is as different from B2B as B2B is from B2C.

Why is all this happening now? Because recent court decisions in Europe and hopefulness for enabling legislation in the US is making it apparent that the dominant customer-facing internet gaming operator will be the government and operators licensed and strictly regulated by the government of the "consumption" country, i.e. the country where the player resides as opposed to where the operator is based. This is good news for the commercial suppliers which have based their business model on being the best partner to government-sponsored gaming operators, most notably government lotteries. You can read about these commercial suppliers in our "Corporate Profiles" section on pages 34 to 39.

Along with our lottery constituents, my friend Philippe Vlaemminck and I have an advocacy position that defends the right of governments to empower their lotteries with the economic leverage to maximize funding to good causes. Our views of legal, regulatory and political proceedings and events are colored by that bias. Our articles and explanations of ECJ court decisions and/or the position of the European Union Commission on issues like free competition and regulatory policy probably reflect that bias as well. Perhaps a more objective view can be found in the analysts' assessment of these issues. An article reporting on the online gaming giant PartyGaming's quarterly report and forecasts of future profitability is telling. First, it makes reference to the deal-making that the online operators are trying to do. "PartyGaming is still looking for deals to boost its business, and is hopeful of a return to the US market if the law banning online gambling companies is overturned." Some analysts are enthusiastic about the future profit potential for PartyGaming and sign off on the 'buy' recommendation.

A leading independent financial advisory group, Collins-Stewart, has a different take on the prospects of remote internet gaming operators, and issues a 'sell' recommendation based on its assessment of the regulatory direction of governing authorities in Europe. Interestingly, he also makes reference to the aspect in which customer-facing operators who aren't connecting with the customer ultimately can't escape their predicament by doing a business model hokey-pokey and selling to each other. "We do not see M&A as a way out of the regulatory maze. PartyGaming has stabilised poker, though we regard this as the removal of a near-fatal negative rather than a direct positive. Underlying growth continues to disappoint, in our view. Hope therefore rests on regulatory upside and M&A. We do not share the company's confidence that the EU will prevent member state protectionism and we see this as a key medium-term risk. Equally, in Italy, where Party was late and against tough incumbent competition, its market share is a rather desultory 2% or so: not a sustainable position if this demonstrates a regulated market trend. From an M&A perspective, we would see any deal which increases regulatory risk (eg, to Germany) and/or requires significant software integration as likely to destroy value." This analyst is clearly expressing the opinion that high regulatory standards favor the commercial companies that have built their competencies and businesses over many years of working within the highly regulated markets. Now you can turn to page 34 to read about those companies. ♦



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(3) Acquirers must also properly identify all e-commerce transactions as such.

Thus, all Internet wager purchases must be identified by use of the MCC 7995 code (for gambling) and 6 (for e-commerce transaction) and, whether or not a particular wager purchase is unlawful, if it involves a U.S.-based cardholder, the MasterCard Rules and Maestro Global Rules call for it to be blocked or declined. Those Internet wagering transactions that are generally recognized as lawful – for example, deposits into advance deposit wagering accounts for Internet betting on horse races where lawful under the applicable state laws – would be subject to such denial. Moreover, as stated above, MasterCard card issuers would not face liability for denying legitimate Internet wager purchases. Since they would be relying on the rules of the Maestro payment network, the UIGEA would exempt them from liability.

It appears likely, however, that this situation will be temporary. As noted by the U.S. Treasury and Federal Reserve in its overview to the final UIGEA regulations, some commenters to the draft rules had suggested that the card system examples of reasonably designed policies and procedures “should include a provision by which credit card companies would create a particular merchant category code that would be limited to those types of Internet gambling that are specifically excluded from the definition of the term ‘unlawful Internet gambling’ – intrastate transactions, intratribal transactions, and any activity that may be allowed under the Interstate Horseracing Act.” While the federal agencies declined

to do so, leaving that decision up to the card system operators and their participants, those commentators apparently have continued their efforts. Although it could not be confirmed as of this writing, it is expected by industry watchers that MasterCard will implement this year new transaction codes for transactions that are not “unlawful Internet gambling transactions” – transactions such as deposits into advance deposit wagering accounts for wagering on horse races and intrastate lottery purchases (in each case, where lawful). Presumably, in order for transactions to qualify for such “unrestricted code,” some sort of pre-qualification would be required to establish that such transactions were lawful.

Thus, although an increasing number of MasterCard card issuers now may be denying Internet wagering purchases, a further change to the MasterCard and Maestro Global Rules would provide relief from the blocking mandate that MasterCard has established. What Professor I. Nelson Rose stated when commenting on the draft UIGEA regulations bears repeating: “U.S. licensed parimutuel outlets that do Advanced Deposit Wagering should lobby for their own special code with Visa, MasterCard, American Express, etc., so that banks will know that this is a legal form of online gaming...[and] there should be additional codes created for other forms of [legal] gambling...” Short of repealing or amending the UIGEA, a change in the transaction codes seems to be a good way to address this “over-blocking” problem. ♦



Just a little something to get you from here...

Tatts Buys New South Wales Lotteries for A\$850M (\$766M US) Cash

Tatts Group Ltd., based in Melbourne and Australia's third largest gambling company, agreed to buy the New South Wales (NSW) state lotteries for A\$850M. NSW Treasurer Eric Roozendaal says that Tatts will be given a 40-year licence to run the lotteries and that the deal will deliver just over \$1 billion to taxpayers. Tatts Group, which deals in lotteries, poker machines and wagering, will pay the NSW government \$850 million cash as consideration for the licence and purchase of NSW Lotteries Corporation. Mr Roozendaal said the transaction is expected to be completed in March. "This is a great outcome for the families and taxpayers of NSW. Tatts Group's offer met the Government's objectives of achieving the best value for taxpayers and ensuring the ongoing integrity of public lotteries in NSW," he added.

Tatts, already the nation's largest lottery operator, has licenses in three Australian states and two territories. This agreement comes

less than a year after its permit in Victoria was split to allow Intralot SA to begin selling games. Lotteries were the fastest-growing unit in Tatts' first-half earnings announced last week as a run of record jackpots fueled sales. Lottery annual sales in NSW amounted to about \$1.4 billion in 2009, compared to \$1.2 billion in Victoria and about \$1 billion in Queensland. NSW is Australia's most populous state and largest market and so should provide opportunities to achieve cost savings and efficiencies from economies of scale. The growth rate in NSW has been slightly lower than other markets and so Tatts sees an opportunity to increase per-capita spending on lottery.

According to Tatts Group Chief Executive Dick McIlwain, "The company's acquisition of NSW Lotteries is a logical and natural expansion of its lottery businesses in Queensland, Victoria, Tasmania, Northern Territory and the ACT. The consolidation

of state-owned and Tatts lottery operations will drive significant operating efficiencies and offers considerable benefits from moving to a single operating system. Coupling these benefits with the relatively favourable fiscal regime provides Tatts with a reliable and low-risk investment, which will secure the future of its lotteries business around Australia." The stock price of Tatts has fluctuated, going down right after the announcement but climbing back up within a few days. It would appear that investors think the valuation is fair and affords Tatts the ability generate positive ROI on this acquisition.

Tatts said it could replicate the success it achieved when it bought Queensland's Golden Casket for \$542 million in 2007. "This acquisition (Golden Casket) saw Tatts Lotteries' earnings before tax, interest, depreciation and amortisation (EBITDA) increase from \$35 million in the 2007 financial year to \$119 million last financial year," Tatts said.



to there.

U.S. States **Stepping Up to *Regulate* Online Gaming**

By Paul Jason, Publisher of Public Gaming International Magazine

The headline stated Iowa could be the First US State to **Regulate** Poker. The interesting thing is that it framed the issue as one of regulation and not “legalization.” It states everything as a matter of fact...

- “Like many states in the US, Iowa is looking to shore up its statewide debt of over \$400 million.” And who isn’t? What state is not pressed to figure out how to increase revenues and reduce budget shortfalls?
- “The Hawkeye state sees regulated poker as the perfect solution to its dilemma.” Nobody would dispute that expansion of state-regulated gaming is a powerful way to increase revenues for public service benefits.
- “State representative Doug Struyk (R-Council Bluffs) has cited the large number of online gamblers in Iowa as reasoning for why he thinks intrastate poker could be a major source of revenue for Iowa. Struyk said that more than 50,000 people gamble online in Iowa.” It wasn’t too many years ago that there was a public policy debate about whether gaming and gambling should be made available to the public. Now it’s a moot point since gambling in all its varieties is accessible everywhere. The only public policy issue now is to decide who will benefit financially from the gaming industry. Should all the proceeds go to private interests, remote offshore operators, and Indian gaming interests? Why shouldn’t the public who supports the industry benefit as well?
- “Struyk’s plan would allow Iowa residents to deposit money at state-run casinos, and then use that money to play games such as online texas hold ‘em. There are

17 casinos in Iowa and the money deposited at these gambling establishments would enable the state’s residents to play poker against each other.” Representative Struyk jumps right past any discussion of whether the state legislature of Iowa has the authority to implement such a plan. That’s because regulation of gambling is a state prerogative, not federal. If the Iowa legislature decides that regulating poker is a more sensible response to the demand on the part of its citizens, and is supported by the public in the state of Iowa, then the legislature will possibly vote to regulate poker. And who better than the state lottery operator to implement effective responsible gaming programs to promote a healthy attitude toward recreational gaming. But wait, there’s more...

- “The Iowa Racing and Gaming Commission regulates all 17 casinos in Iowa, and they’re hoping to use online poker as a means of boosting their business. Estimates state that regulated online poker could bring in an extra \$11.5 million to the state through gambling revenue.” Political support comes from lots of different quarters. There’s the Racing industry with interests in the financial success of the casinos, the casino operators, the state of Iowa and the citizens of Iowa and...
- “Iowa gamblers are excited about the plan too since intrastate poker would give people a chance to play all of their favorite card games. Everything from limit texas hold’em to Omaha would be offered to players over the Internet.” Poker players are people too, ya know, and maybe their sentiments should count for something.

They’re also voters and citizens who would rather play in a safe and secure environment than on illegal poker sites.

- “Chances are good that the intrastate poker bill could pass since Iowa has already proven to be a pioneer in the gambling industry before. Iowa was the first US state to legalize riverboat gambling. The state also opened its first casino in 1991 at a time when many other states were still deciding on the issue.” That’s the pioneering spirit that made America great! Seriously, US states need to stand up for their rights before the federal government steps in to channel the tax revenues into the federal coffers.

The legislators of Iowa recognize that the issue is not whether to legalize Internet poker. It’s whether to regulate it. Regulation protects the players from dishonest offshore operators, channels the profits back to legal in-state operators, and produces significant revenues for good causes. Hopefully the states will also recognize the value of their own state lottery operators. These operators know the business, they know the customer, they consistently exceed the highest expectations for integrity and operational excellence, they have the staff and infrastructure to implement quickly and effectively, and are dedicated to the tenets of responsible gaming. Too, look at the track records of states which have given increased responsibility to their lottery operators. The states benefit hugely with operations that are well-run revenue-generating machines. ♦

A large neon sign is the central focus of the image. The top portion of the sign features the words "OPEN" and "24 HOURS" in bright yellow neon tubing. Below this, the word "LOTTERY" is displayed in red neon tubing. The sign is set against a dark, blurred background that suggests an outdoor nighttime setting.

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GLI has long been recognized for its expertise in testing and regulatory matters. What we've now added is a super high level of data-driven analysis and process engineering to enhance the impact and value that ultimately reaches the customer.

I would think that governments and regulators would want to streamline the licensing process and look for ways to rationalize the regulatory frameworks. Wouldn't there be a set of regulatory requirements that are shared by at least more than one jurisdiction? Couldn't jurisdictions get together and create a common set of regulations that enables a licensee to operate in all the different jurisdictions? Is there any aspect in which GLI can leverage its incredible database of regulatory spec's and conditions to help regulators streamline and expedite the licensing process?

P. Barow: There's actually two sides to this question. First, there is the technical side. GLI has always been very strong on this side of the business. We actually help manufacturers leverage the regulated technology they've developed in one market and bring it to another market. Regulators recognize the value, quality, and credibility of a GLI certified mark. They understand that it's been thoroughly vetted, the technology works reliably, the players are protected, the game operates to spec', etc. So in some ways we do help with the harmonization of technology.

But the other side to this question is more subtle. From a public policy point of view, regulatory frameworks may appear to share some commonalities. But from a purely technical point of view, there are going to be far fewer commonalities than you might think. The Italian regulatory environment is going to be much different than the French regulatory environment from a compliance perspective. So companies will have to overcome many different hurdles in terms of anti-money laundering regulations, reporting, responsible gaming, compliance in terms of

background checks, and whole host of other issues in one country than they would in another. Terms, conditions, technical specifications are all set nationally and so all differ from one jurisdiction to another and that basic system will not likely change. Each government has a rich history of hundreds of years of operating with a focus on the individual needs of its citizens. They each have their own culture, their own political systems and moral sensibilities and customs. I think you'll find that the enlightened operators and manufacturers respect that fact. GLI has been able to help them harmonize on the technology side. There are very similar technologies all across Europe as in North America and there are ways to harmonize the technological platforms and gain some efficiencies in the process of making the product be compliant with multiple jurisdictions and different specifications and requirements. Manufacturers all want to expand abroad and need to have efficient, cost-effective ways to become compliant and get licensed in different jurisdictions. GLI is positioned well to facilitate this process.

What about harmonization on the regulator side – do you envision the regulators getting together and creating a certain minimum standard that could serve as a foundation upon which they would each then build their own additional requirements?

P. Barow: I don't, really. As I mentioned, there are just too many characteristics unique to each system to make that possible. Granted, the technologies and even regulatory issues may not be 100% unique to each jurisdiction. But when you add in the variety of cultural, political, and legal aspects that go into the formulation of a regulatory framework, you really end up with very little that is actually common to all jurisdictions. There are lots of things that regulators do to rationalize the process. They just can't do the short-cut that you are suggesting. Regulators can

and do learn from each other's experience and GLI does what it can to facilitate the process of communication and sharing to help regulators build the most effective framework. For example, we are the only company of our kind to hold regulators roundtables to help bring about these types of conversations. And we hold them in North America, South America and in Europe. It happens all the time that regulators describe a new issue and our input is almost always to refer to how others are dealing with a similar issue and help them assess what works best based on how things have worked in other markets.

Two technical issues that seem to be at the heart of disputes between remote internet gaming operators and governments: IP Blocking and the requirement to locate the transaction-processing server in the place of consumption, i.e. where the players are located as opposed to where the operator is based. Is IP blocking technically difficult?

P. Barow: Those are questions that a lot of people are wondering about, including me! First, there is a large component of public policy to these issues which is not our place to comment on. For instance, technologically there may not be much of a difference to where the server is physically located. Most of the reporting and auditing functions can be conducted effectively no matter where the server is located. But there are other considerations to having physical access to the server and it is likely that some jurisdictions will deem them to be perfectly legitimate concerns. Same thing with IP blocking. Sure, the technology is there to effectively block your citizens from accessing banned websites. But there are a number of public policy issues that need to be addressed, and that is done by the individual jurisdiction based on a broad range of factors, more to do with public policy than with technological capability. It comes down to the will of the people and the government of each jurisdiction. ♦

Vlaemminck & Yves ...continued from page 16

would be the case, it provides the States with an important potential to increase the return from gambling services as long as the main objective is to prevent the risk of fraud and crime.

The Betfair and Engelmann cases need to be put into this context. In both cases the question at stake is how the States can grant a licence to operate games of chance in a restrictive environment to a private operator. In both cases respectively Advocate General Y. Bot and Advocate General J. Mazak consider that the allocation of licenses must be done through a non-discriminatory and transparent procedure accessible to all EU based operators.

To the extent that the European Court would follow Advocate General Y. Bot in his opinion in Sjöberg and if States would decide to replace a total prohibition of Internet gambling by proper regulation to prevent the risk of fraud and crime connected to Internet gambling and as such confine the opera-

tions within controlled channels, this could be done under economic terms.

To do so, one needs to realise that transnational cooperation, initially at EU level, is required to keep control over an essential transnational market. Combining a strict residence requirement and rules for an adequate national control mechanisms such as the obligation to operate some local servers with the potential of a coordinated approach with licensed operators operating in other jurisdictions, based upon the model of certain multi-jurisdictional lottery games, could create an economically valuable solution allowing to continue the expansion of gambling operations within a controlled and safe environment.

It could turn out to be a lucrative market...also for the State and provide a path for a transatlantic approach. ♦

Each country has its own cultural traditions and sets of societal and political considerations and has the right to manage and regulate the gambling industry in ways that are consistent with the needs of its citizens. Those needs may differ from country to country. The important thing is that whatever the regulatory framework requires, that those requirements be applied fairly and equally to allow all operators to compete on a level playing field.

Is there a point at which the additional costs incurred to meet regulatory requirements become burdensome and disproportionate to the benefits that they provide?

G. Zenzefilis: I suppose, but this is the direction the industry and operators are going anyway. Markets are being subdivided by region, demographic groups, player profile etc. IT infrastructures are evolving to support the increased demands of this decentralized and more highly segmented model. The idea that you have one big data center supporting a homogenous mass-market is long gone. The progressive operators are already moving towards far more sophisticated and robust IT infrastructures to support their own operational systems and marketing objectives. This migration to decentralized and highly segmented markets is not an easy one. This is one aspect of the migration from the .com model towards a .country model, where local customization is prevailing over a unified cross border product & services model.

Lottery operators would seem to be ideally positioned to migrate to this decentralized and segmented model.

G. Zenzefilis: Absolutely. Lotteries have efficient and lean operational models that generate significant revenue with a large customer base. And their retail network already delivers the easily accessible POS that the customer now expects. They are in a great position to take the leadership role in the gaming industry that is emerging. Think about how dramatically the combination of internet gaming and multiple operators will have on this industry. The lotteries have a tremendous upside potential to leverage their powerful brand recognition and distribution to attract new player groups, implement new products, and develop new markets with new media channels like Internet and mobile. Lottery organizations may feel threatened by the need to compete. But I think it will soon be apparent that lotteries will win in this new competitive gaming environment.

Will IP blocking be an effective means of controlling and regulating Internet Gaming?

G. Zenzefilis: There are various technologies for regulating and controlling Internet gaming. IP blocking is one. Another method is for merchant banks to refuse to process fund transfers related to Internet gaming. Another method is to apply controls on the player registration level. Documentation proving the age and residence of the player can be required at the time of registration. There are different options, both procedural and technological, that enable enforcement of Internet gaming regulations. Frankly, I do not think it will be a difficult issue. Italy is demonstrating that these tools do work to effectively prohibited unlicensed operators from doing business in Italy. The governments are responsible to decide if and how they will protect their market and their country's interests.

Can you tell us about some more specific initiatives and objectives for INTRALOT Interactive?

G. Zenzefilis: We have been very active in delivering the next generation of gaming technology, for the e-Gaming space, by growing organically but also through selective partnerships, such as the most recently announced of CyberArts. We place significant emphasis on key issues, focused on the ability of our customers to have a Customer Centric approach, that incorporates a multiplicity of internally developed or externally developed gaming content. The terms of "flexibility" and "brandability" are key design parameters, used to represent respectively our ability to differentiate the products and services, in the local market, in short go-to-market time scales, and our ability to support multiple-brand business models.

In terms of our markets, we are continuing to focus on our existing regulated operations, such as in Italy, and enhancing our product offering, as new possibilities will come along. We are certainly focused on new regulatory initiatives, such as the long-awaited, France opportunity.

Most importantly we support our Lottery Customers and our own Land Based operations, towards the exciting journey which lies ahead and will shape the eGaming industry as regulations take place.

The ownership and management structures are evolving in various ways. It is even possible that Camelot Group may be purchased by a national lottery. The Danish national lottery (Danske Spil) is now partnering with its former arch-enemy competi-

tor (Party Gaming) to get more control of the internet market in Denmark. Or maybe they'll expand beyond the borders of Denmark? These are quite interesting circumstances, aren't they?

G. Zenzefilis: They are. Our view is that business success and long lasting Customer relationships are based on clear terms and conditions, and this principle is guiding our partnership decisions. The industry has been long debating about the "duality" of being at the same time a B2C and a B2B provider. Our view is that there needs to be a clear separation line between these models and certainly that their coexistence, within an organization, may create more issues than benefits.

The industry is expected to experience strong consolidation, which is already evident. This will create organizations that are larger in size and possibly more focused on the key business models (B2B and/or B2C). Certainly lotteries will play a role in this process, and we will experience partnerships at a project level (providing gaming services within a specific territory) but also equally well at a corporate transaction level.

It looks like government lotteries are accelerating their movement into the Internet space.

G. Zenzefilis: They definitely are. Part of the obstruction has always been on the legal and political front. As the EU Commission clarifies its expectations of the member-states, and as US states feel the need for revenues and perceive the opportunity in Internet gaming, I think lotteries will all see the opportunity and need to be where their current (and certainly future) customer is and implement the games that their players want to play.

The exciting thing for lotteries is that the internet gaming space is becoming a national market and that is suits the lottery model best. Certainly competition will be present and in some cases, the lotteries may find themselves competing with technologically advanced organizations. However the "brand strength" and most important the element of "trust" that is inherent in the very nature of their structures, is a significant head start, which if combined with flexible technology (that will allow dynamic local customizations) and effective business process, can prove a key ingredient of success. ♦



To Know the Road Ahead

By Matt Mansfield, GTECH Professional Services

Essential programs providing for the social goals, growth and well-being of citizens look to lotteries for funding. As other revenue sources come under pressure, state governments and good causes depend upon lotteries to deliver even more revenues.

At the same time many lotteries are facing challenges typically associated with maturing industries – leveling sales from traditional online and, in some cases, instant games; retailer resistance to dedicating more space and labor for lottery products; stable, if not declining, player bases with less discretionary income; more accessible gaming options from private sector competitors and the need to rejuvenate products to appeal to a new generation of players.

Business forecasts based on past successes are no longer enough. Flexibility to adapt and innovate to changing conditions is critical, and you need your vendors to partner with you to meet these needs. Yet, the cost efficiencies realized in long-term contracts based on earlier planning assumptions seem to thwart this initiative – and at a time when lotteries need all the help and productivity they can get.

GTECH is investing to anticipate future requirements that are rapidly pushing into view. In practical terms that means that intense and focused efforts are underway to better understand how equipment and systems designs can be improved for more appeal and flexibility. It means new games with a faster time to market and better player management. And it means even more non-traditional game channels to ensure lottery sales and revenue potential can be maximized. It is about adding value upfront because the needs are now.

So how does this get done?

To put its entire global organization at every level on the same page, GTECH has launched a “Customer First” strategy. This approach focuses resources, research and processes toward better planning and development of solutions, equipment, systems and games through on-going collaboration with customers, retailers and players where it matters the most, at the local level.

Being “Customer First” recognizes a simple and fundamental axiom: real world business problems drive more practical solutions. The best solutions are created for specific retail needs at the local site where the needs aren’t theoretical; they are uncompromisingly real.

Using this approach, the feedback from the local site channels into GTECH global development teams and helps identify certain elements for broad-based solutions common to many lotteries. Additional information from installed products is provided through proprietary GTECH sales tracking databases to identify and align with Best Practices performances as needed. The result is a continual rebalancing between customization and cost effectiveness for our customers.

A key early result of the “Customer First” effort has been providing more flexibility and options with equipment and system platforms mapped for development. For example, a variety of retail solutions for traditional lottery games and transactions have been developed by appreciating that “one size does not fit all” and player and retail habits are changing:

- A Family of Terminals approach has been created for clerk-activated transactions. It is anchored with a base model that offers multiple upgrade features for more capacity and speed as well as different playslip reader technology and footprint sizes to handle different cost/function/performance requirements – even within one market.
- Alternative retail sales models have also been developed for those retailers who want the lottery transactions integrated into their own retail equipment and accounting systems (Lottery Inside) and for those who want the transactions managed outside their regular traffic patterns (DASH free-standing kiosks).
- With players now familiar with lottery product buying, a Family of Self-Service

Equipment is evolving sleek new designs and options. Based on work in Europe and GTECH historical U.S. sales tracking, the one-step ease and simplicity of instant game selections has been applied to the more complex online game options.

On a parallel path to retailer focused equipment, the Enterprise Series system can now support more or less complexity of programs and processes, according to customer needs, ranging from basic minimal complexity formats to mid-range customized for modest operating needs to full scale large lotteries – with security and service portal modifications for today’s marketplace.

While these developments are focused on its traditional areas of expertise, GTECH has recognized that its obligation to customers must also look at how to maximize the sales potential of what the equipment and systems do – enhancing the game offerings and the playing experience.

One of the immediate results of the “Customer First” approach in the traditional game space has been the enormous planning and collaboration with Powerball and Mega Millions lottery groups as well as other vendors to launch the cross-sell of these two large jackpot draw brands within 41 of the constituent jurisdictions. The step taken in this direction last January introduces the larger prospect of a national premium game in the U.S.

At the same time the GTECH Global Game Development Group is preparing new concepts with in-house and 3rd party online game developers as well as GPC instant game designers and license portfolios. To manage increasing demand for more games and help our customers minimize the marketing investment risk, GTECH technologists have developed an application that allows customers to test games in the marketplace before investing in a full launch.



GTECH®
Architects of Gaming

This Group is also working to find game structures and playing styles derived from the GTECH G2 experience and knowledge of internet gaming and sports betting and GTECH’s video lottery divisions. While traditional lottery games may benefit in the short-run from some of these applications, the anticipation is that some lotteries in the not-so-far future may need a partner ready to implement these new markets quickly to grow sales and offset competition.

As gaming options become more sophisticated and accessible, player management will become increasingly important. Similar to what has already happened in worldwide retail markets, personal gaming management will need to be easier and more mobile. GTECH, leveraging its G2 experience, is well along the path of developing a program that will manage game preferences, purchases and prize payments and work across different gaming and non-gaming retail venues.

Underlying these efforts is the use and management of the research, consisting of field surveys and performance databases. On its own initiative, GTECH developed and funded the player and retailer research that helped to spearhead the Powerball and MegaMillions cross-sell initiative. The company also manages the Global Gaming Market Research Exchange to help participating customers and its own professional services group learn from each other and what cross-currents in preferences and behavior are affecting game development and, in turn, equipment and system needs. Finally, the company conducts an annual External Customer Survey for feedback on all of its initiatives and operational areas that guide action plans for continuous improvement.

A Chinese proverb holds that “to know the road ahead, ask those who are coming back.”

Through its use of customer, retailer and player research, performance tracking, customer collaboration and unified focus of global resources, the “Customer First” program is seeking flexible ways to grow as more stable, prosperous markets return. ♦

KENTUCKY LOTTERY

First in the U.S. to Receive WLA Level 2 Responsible Gaming Certification

The Kentucky Lottery Corporation (KLC) has been awarded Level 2 Certification of the World Lottery Association's (WLA's) Responsible Gaming Framework. The Kentucky Lottery is the first lottery in the United States to achieve this level of certification for its responsible play programs.

To receive this certification, WLA members must adopt the organization's responsible gaming principles. The principles help lotteries assess their responsible gaming programs and to keep them on a course of continuous improvement. They govern the protection of players, cooperation with stakeholders, research, advertising, the promotion of responsible gaming and the monitoring of gaming activities.

The KLC received the certification by submitting a self-assessment and gap analysis which examined the lottery's social responsibility programs. These programs include the "Play Responsibly" initiative, support for the Kentucky Council on Problem Gambling and the 1-800-GAMBLER hotline, and the KLC's addiction awareness program "Choices". The certification was awarded by an independent international panel of corporate social responsibility experts.



"This certification shows the KLC's commitment to responsible gaming is in line with the highest industry standards," said KLC President and CEO **Arch Gleason** (Gleason also serves as the current WLA president, pictured left). "We've received state and national awards in the past for our 'Play Responsibly' program, and to be the first in the United States to receive this world-recognized certification is a great indicator of our program's strength."

The WLA represents more than 140 member lotteries from 76 countries and 5 continents. Only 17 of its members have achieved responsible gaming certification of level two, three, or four.

In 2006, the WLA adopted seven Responsible Gaming Principles and a Responsible Gaming Framework (RGF) aimed at protecting lottery players around the world. Member lotteries are committed to these seven principles and to adhering to the framework. The framework is an internationally recognized certification program which helps lotteries assess their responsible gaming programs and to keep them on a course of continuous improvement. This effort and commitment ensures not only that our public is protected but also that the revenues are sustained for the public good.

Following are the lotteries that have achieved WLA Responsible Gaming Certification, listed in alphabetical order by country. Please visit www.world-lotteries.org for more information about the World Lottery Association and the WLA certification programs.

AUSTRALIA: Lotterywest and South Australia Lotteries

AUSTRIA: Österreichische Lotterien GmbH

CANADA: Atlantic Lottery Corporation, British Columbia Lottery Corporation, Loto-Québec, Nova Scotia Gaming Corporation and On-

tario Lottery and Gaming Corporation

FRANCE: Française des Jeux

GERMANY: Westdeutsche Lotterie GmbH & Co. OHG

ISRAEL: Mifal Hapais

ITALY: Lottomatica SpA

NEW ZEALAND: NZ Lotteries

SLOVENIA: portna loterija d.d.

SPAIN: Loteria de Catalunya

SWEDEN: AB Svenska Spel

SWITZERLAND: Société de la Loterie de la Suisse Romande

UNITED KINGDOM: Camelot Group plc

USA: Kentucky Lottery Corporation

Commenting on what the WLA Certification means to other lotteries that are adopting these high levels of Responsible Gaming Principles, Chairman and CEO, **Christophe Blanchard-Dignac** of La Française des Jeux said "This certification shows that the commitment of La Française des Jeux and its retailers to responsible gaming is in line with the highest industry standards. It represents a safe recreational gaming model that appeals to 29 million French people." La Française des Jeux promotes responsible gaming values not only in Europe, but worldwide. As a member of the World Lotteries Association (WLA)¹, La Française des Jeux is a signatory of the WLA Responsible Gaming Standards, in which it has now attained the highest level (level 4).

Alain Cousineau, President and CEO of Loto-Québec which is also a Level 4 Certified member, said that over the past seven years, Loto-Québec has committed \$180 million committed by Loto-Québec to prevent problem gambling, making Quebec one of the areas of the world where the most money is expended on that issue," Mr. Cousineau stated. In this regard, he added, "we are very proud that Loto-Québec was the first lottery operator in the world to receive the World Lottery Association's highest international certification for responsible gaming."

Dianne Thompson, CEO of the Camelot Group, a Level 4 Certified member and operator of the UK National Lottery said, "Camelot's commitment has been integral in driving the development of the new standards framework. We take our responsibility towards players seriously, and go beyond our regulatory requirements in setting and maintaining the highest standards of responsible gaming in the UK, as well as in the lottery sector worldwide." ♦



Scientific Games Brings State-of-the-Art Internet Gaming Technology to Government- Sponsored Gaming.

The Launch of Sciplay Interactive

Scientific Games Corporation and Playtech Limited have formed a number of important strategic partnerships to jointly develop and market next-generation internet and land-based gaming products and services to regulated gaming operators. These partnerships combine Playtech's industry-leading B2B gaming software and comprehensive portfolio of products with Scientific Games' proven ability to provide added value, turnkey solutions to government-sponsored (B2G) and commercial (B2B) gaming operators. This combination will enable Sciplay to offer customers a comprehensive range of gaming content and gaming solutions, consistent with the various regulatory regimes that may apply. Sciplay will have global exclusive rights to Playtech's internet technology for these customers. The alliance will deliver to customers:

- A complete suite of internet games including instant games, casino, bingo, poker, sports and skill games on a single platform with a leading player management system
- Proven marketing, advertising, promotional, operational and customer support services
- A range of support services including hosting, payment processing, content management, customer relationship marketing and affiliate management
- Comprehensive compliance and responsible gaming safeguards.

Public Gaming: *So why the Joint Venture with Playtech now ?*

Michael Chambrello, CEO of Scientific Games: This is a significant advancement in our long-term strategic plan to deepen our participation in wide-area, government-sponsored and government-regulated gaming. We anticipate that internet (and associated multimedia distribution) will be the next large wave of growth in gaming.

We've appointed Rick Weil as the Managing Director of Sciplay. Rick brings extensive experience in the areas of pay-to-play skill games and fantasy sports websites focused on high profile B2B clients. Coupled with his extensive Lottery and tote experience, he's an ideal fit to lead our efforts in this category of gaming services.

Government entities will play major roles, whether as sponsors or regulators, and are expected to look to suppliers that have deep experience in providing highly secure, regulated, compliance-compatible services.

We believe Playtech's extraordinary capabilities and experience catapult us to content- and technology-driven leadership in delivering next-generation

products in a comprehensive manner. We believe that these partnerships with Playtech will be exciting for consumers, revenue driving for customers and profitable for our shareholders.

What makes this joint venture different or special?

M. Chambrello: Scientific Games and Playtech have also agreed to a strategic partnership relating to both category B2/B3 gaming machines and video lottery (VLT) gaming terminals and systems development. Scientific Games is a world leader in gaming terminals and systems for wide area, government-regulated and government-sponsored gaming environments. The Company, through its wholly owned subsidiaries The Global Draw and Games Media, currently owns and operates approximately 18,000 server-based gaming machines throughout the world. Moreover, Scientific Games has deep expertise in developing gaming terminals and systems for ensuring compliance with government requirements.

Through its Videobet subsidiary, Playtech has successfully pioneered the adoption of internet-style technology to land-based venues and provides operators with access to Playtech's leading products and content. The technology also provides operators with a highly cost effective way of delivering gaming content to land-based venues, while providing deep venue management capabilities. This strategic partnership provides Scientific Games with exclusive access to the Videobet technology for its gaming terminal business in North America, United Kingdom and other key jurisdictions, and non-exclusive access in the rest of the world.

As part of the new partnership, Playtech will also lead the development of Scientific Games' next generation systems technology, delivering a strong competitive advantage. These will offer comprehensive gaming systems that provide governments and commercial operators significantly greater functionality at lower cost, while meeting emerging industry standards and protocols. Functionality that was once confined to standalone systems will be merged into a single platform, both enhancing functionality and reducing cost for the operator.

What does this all mean to the customer?

M. Chambrello: Gaming operators and their players will enjoy a new level of flexibility and convenience by providing them with a technology platform that is seamless, integrated and adaptable to multiple delivery channels. Where permitted by law, operators will have the ability to integrate their instant ticket, traditional lottery, internet, and brick-and-mortar systems, which allows for better player tracking and cross-promotional opportunities across all platforms.

What can you say to summarize the new venture?

M. Chambrello: Mor Weizer, CEO of Playtech and I both feel that this is an important step for both companies. We have highly complementary skill-sets allied with a global reach and this partnership provides the opportunity to leverage off this combined know-how to maximum effect. This is an ideal partnership in many ways. Customers will benefit from best of breed content, sophisticated player management systems, and long-standing industry experience in providing highly secure, regulated, compliance-oriented services. The related gaming terminal partnership brings the potential for operators to enjoy a technology platform that is seamless, integrated and adaptable both to multiple delivery channels and cross-promotional opportunities. We are excited about the possibilities. ♦





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Scientific Games Corp A global leader focused on delivering an ever-expanding portfolio of gaming products and services to the world's government-regulated and government-sponsored entities (B2G). The company believes it differentiates itself through its entertainment and content portfolio, the security of its offerings, its knowledge of retail, and its proven ability to deliver world-class technology and network solutions through its products and services to customers.

Scientific Games' global reach is made possible through the expertise, skill and dedicated efforts of its approximately 4,200 employees who serve lottery and gaming customers in more than 50 countries on six continents. Headquartered in New York City, Scientific Games has manufacturing and operational facilities in North America, South America, Europe, Asia, and Australia, with additional facilities throughout the U.S. and around the world based on its customer requirements.

Scientific Games is committed to the highest levels of security, integrity, compliance and ethical standards, as well as to the industry's responsible gaming principles and sustainable best practices. In 2009, the company's game programming groups in Alpharetta, Georgia (USA) and Leeds, England earned ISO 27001-security certification. A dedicated internal team continually seeks ways to reduce waste, use energy more efficiently, and operate more sustainably.

Scientific Games' comprehensive, sophisticated, integrated array of products and services includes:

Instant ticket manufacturing, systems and services; Lottery gaming systems; Licensed branded games; Operations services; A comprehensive video gaming suite (systems, software and terminals); Server-based systems and gaming machines; Amusement-With-Prize (AWP) and Skill-With-Prize (SWP) betting terminals; Sports betting solutions.

On January 21, 2010, Scientific Games announced a number of strategic partnership agreements with Playtech Ltd. Established in 1999 in the Isle of Man, Playtech is the world's leading supplier of Business-to-Business (B2B) internet gaming solutions and powers the world's largest online poker network, ipoker. Playtech employs nearly 800 people worldwide, approximately 75% of whom are engaged in research and development of current and future gaming technologies.

The initial focus of the Scientific Games-Playtech partnership is two-fold.

The first involves Sciplay, a joint-venture initiative whose purpose is to bring to government-regulated and government-sponsored lottery and gaming a full suite of next-generation internet products and services, positioning these gaming entities to capitalize on the revenue growth opportunities of the future. Consistent with applicable regulation, the internet, mobile and other interactive games are anticipated to be the next large wave of growth in gaming and Sciplay's principal objective is to unlock their full potential.

The second area of focus is a systems partnership in gaming terminals – both fixed odds betting and video lottery – and development, utilizing Playtech's Videobet software platform, technology expertise and gaming product suite. Through this partnership, Scientific Games will integrate new technologies, new controls and new games into its existing video product offering, ultimately building a comprehensive gaming system that will provide governments and commercial operators significantly greater functionality at lower cost, while meeting current and emerging industry standards and protocols (S2S and G2S). Functionality that was once confined to stand-alone systems will be merged into a single technology platform that is seamless, integrated and adaptable both to multiple delivery channels and cross-promotional opportunities.

Today's players, in increasing numbers, are demanding an interactive play experience that takes the excitement of game-play from traditional retail to the internet to mobile devices to casino-style games and back to retail for an extended and interactive play experience. These latest business agreements give Scientific Games greater flexibility to deliver new, creative game content across multiple channels in a manner consistent with an emerging, player-friendly concept known as Play Anytime. Play Anywhere.

Where permitted by law, government lottery operators have begun positioning themselves to make available to their players these styles of game- and play-types, and are doing so within a well-defined regulatory framework that incorporates responsible gaming principles and provides a safe, secure gaming experience supported by absolute integrity.

INTRALOT Since its establishment in 1992, INTRALOT has become the leading supplier of real-time gaming and transaction processing systems, Innovative Game Content, Sports Betting management, Video Lottery Central Monitoring and Internet Gaming services to government-licensed gaming organizations worldwide. INTRALOT's highly specialized products and extensive services, and its portfolio of leading-edge technology solutions, give them the competitive ability to shape developments in the international gaming market. With a presence in 50 countries and 11 U.S. States on five continents, a multinational workforce of more than 5,000 highly skilled and experienced employees, and consistently expanding international operations, INTRALOT is the second largest Lottery vendor worldwide.

INTRALOT establishes working alliances with its clients with the goal to establish successful long-term business partnerships with them. Offering a complete range of innovative products and services, INTRALOT is recognized globally for its timely commitment to customer needs, dedication to quality and flexibility to adapt to local markets. INTRALOT has become a leader in the lottery sector offering real value to its client/partners and their beneficiaries as well as INTRALOT shareholders and employees.

The integrated lottery systems developed by INTRALOT rank among the most advanced and flexible systems available worldwide, distinguished for their quality, reliability, adaptability, expandability and security. Constant investment in Research & Development ensures the continuous improvement and advancement of INTRALOT products and services. Research on advanced technologies and software development processes create the conditions required to quickly and efficiently utilize innovations in new products and value-added services. INTRALOT's Games' library offers unique value to gaming Organizations worldwide.

INTRALOT is paving the way for the future in the new and emerging area of Internet Gaming through its new subsidiary 'INTRALOT Interactive' (I2) and their investment in CyberArts as well as their cooperation agreement with PartyGaming. CyberArts Foundation is the leading enterprise-grade, multi-player gaming software platform available in today's marketplace and PartyGaming, listed in the London Stock Exchange, is one of the world's leading online gaming companies. INTRALOT's I2 is already shaping the future of interactive gaming by meeting the needs of interactive gaming operators in several markets worldwide.

INTRALOT's customer-driven approach has been a major factor in the award of 13 Gaming contracts in 11 states in the highly competitive U.S. marketplace, 8 in just the last three years. Another example of INTRALOT's recent success is the receipt of an order for 15,000 of its award-winning microLot terminals for Italy, the largest gaming market in the world. The future looks great for INTRALOT, both in the U.S. and internationally.

INTRALOT places security as the cornerstone of its operations and consequently has become the first international lottery vendor certified by the World Lottery Association (WLA) Security Control Standard certification along with ISO/IEC 27001:2005 certification.

INTRALOT, publicly listed on the Athens Stock Exchange since 1999, closely associates the growth and development of its business operations with the promotion of the concept of Corporate Social Responsibility, contributing to the enhancement of the quality of life and the cultural development of the local communities in which it operates.

INTRALOT plays an active role in the international gaming community and contributes decisively to the future development of the industry. They are a member of all major international gaming associations, including the World Lottery Association (WLA), European Lotteries & Toto Association (EL), the North American Association of State & Provincial Lotteries (NASPL), CIBELAE (the Hispanic association that covers South America and the Iberian peninsula), as well as the Gaming Standards Association (GSA) in the USA and the Asia Pacific Lottery Association (APLA).



Innovation and progress is driven by a healthy collaboration between the operator and the commercial supplier sides of the business. PGRI endeavors to support and nurture that relationship, confident that together we can build successful businesses that meet the needs of our stakeholders and customers. The leaders of the commercial community play a vital role in our industry and we are thankful for their invaluable contributions to the exchange of ideas that happens at SMART-Tech. Their products and services are the result of a tremendous investment in R & D, and their insights and capabilities are informed by a deep experience in all aspects of the lottery business. Following is their story. Please also visit the conference website (www.PublicGaming.org; notice this is ".org" and not ".com" which is our gaming news website) to see their presentations. We will soon post the video-recorded presentations of our conference presenters on this conference website. Check it out!

MGT Lottery Technologies The leader in the development and delivery of innovative game technology for the Lottery industry. At MGT we pride ourselves on offering the latest technologies to State and Provincial lotteries and fully integrating the solutions into lottery operations.

MGT understands that the needs of each lottery are unique. The company develops and delivers custom solutions and offers off-the-shelf products that can be modified for any lottery. MGT technological solutions can be delivered quickly and implemented easily.

Some Popular Game Platforms available from MGT Include:

- The MGT Touch2Win system is the first complete system to bring ticket based electronic lottery games to age restricted environments.
- The MGT Subscription manager is the only full-featured web-based subscription solution designed to manage lottery subscriptions over the Internet.
- MGT Second Chance Games and the MGT GameZone infrastructure make it possible for a lottery to immediately deliver a complete library of second chance internet games in the most effective way possible.
- MGT "Facebook Enabled" social networking infrastructure is the only lottery based technology to fully integrate the entire Facebook application programming interface into a complete package that allows lotteries to fully embrace the social networking phenomena.

The MGT On-Staff Advantage

MGT Lottery Technologies is a both an entertainment & technology company that prides itself on the ability to deliver ready-to-play lottery games that are both technically precise and fun for adult audiences. Creating entertaining games and gaming systems is what we do, and we understand the unique regulatory environment related to lottery operations.

Our on-staff professionals are skilled in both the development of games and the corresponding IT architecture needed to support today's modern lottery. This helps lotteries avoid game integration problems that often arise as a program is assembled from components being provided through a loose connection of sub-contracted sources or other affiliated partners.

The MGT on-staff advantage ensures that the creative and technological development of a new lottery game is synced together throughout the entire game development process. This integration improves both the technical reliability of individual digital games being developed, and benefits lotteries with long-term, electronic game platform goals.

Yes, we can do that...

The MGT on-staff advantage means it's easier to say, "Yes, we can do that." So whether you're looking for a 2nd chance word game, or an interactive game for social spaces, the odds are in your favor that we already have something in the 'shop' that is ready to go. It also means the barrier of integration issues is no longer a problem, as most of our systems can be integrated with only a few weeks of work.

MGT Lottery Technologies develops fun, interactive, networked lottery games and entertainment solutions for lottery organizations that fit within the legal definition of local, state and federal lotteries. Visit <http://www.mgtlottery.com> and <http://www.mgtgamezone.com>

MGT Lottery Technologies

212 W. Kinzie Street, 4th Floor, Chicago, IL 60654

877-785-2483

GTECH is a leading gaming technology and services company, providing innovative technology, creative content, and superior delivery. GTECH is a single source of accountability for online central systems, system design, flexible retail solutions, game development, marketing services, and ongoing support operations worldwide. GTECH leverages its parent company, Lottomatica S.p.A., the world's largest commercial lottery operator and a market leader in the Italian gaming Industry. GTECH and Lottomatica together create a fully integrated gaming technology, end-to-end, full-service lottery solutions provider – a combined company with worldwide scale, considerable financial strength, and industry-leading customer solutions.

Our core strengths are secure, high-volume transaction processing; network integration; infrastructure development; and government contracting. Our mission is to maximize these capabilities and deliver superior performance and added value to our customers in the lottery industry, gaming venues and commercial services sectors.

GTECH Overview

As a global leader in the world's online lottery business, the name GTECH is synonymous with the industry it pioneered and helped to build. GTECH is a full service technology and business solutions partner catering to all of the systems and support needs of online lottery operators worldwide. This comes from GTECH's ability to analyze the specific needs of each customer and to design solutions that meet the widest array of operating requirements. Excellence in software design, point-of-sale, instant ticket design and printing (GTECH Printing Company) video lottery terminal manufacturing, full suite of self-service vending solutions, local area network/wide area network communications, sports betting/new media expertise, and central system installations on six continents are the hallmarks of GTECH's technical and customer service competencies.

Lottomatica Overview

Lottomatica is a leader in the Italian gaming industry, with a dedication and focus on responsible gaming and corporate social responsibility. Lottomatica has built an extensive real-time, online distribution network, with approximately 190,000 terminals in 90,000 points-of-sale throughout Italy (including approximately 17,000 points-of-sale where Lottomatica provides only Processing Services for third parties), comprised of tobacconists, bars, petrol stations, newspaper stands, and motorway restaurants. Since 1993, Lottomatica has been the sole concessionaire for the Italian Lotto game, which is the largest online lottery in the world in terms of wagers.

GTECH Gaming Solutions

GTECH provides complete gaming systems technology to Government sponsored machine gaming programs as well as commercial and Native American gaming venues. GTECH is a single source of accountability for online central systems, system design, game development, marketing services, and ongoing support operations worldwide.

The combined strengths and experience of GTECH and its subsidiaries ATRONIC and SPIELO, leading providers of gaming machines and related services, make a powerful partnership in the supply of technology and support services to the worldwide gaming market.

GTECH New Media and Sports Betting

GTECH's New Media & Sports Betting division, GTECH G2, is comprised of four subsidiaries – Boss Media, St Minver, Finsoft, and Dynamite Idea – focused on providing software and services in the Internet and sports betting market. The goal of this division is to become the leading provider of best-in-class sports betting and interactive white label solutions and services to the regulated commercial and government-sponsored gaming industry.

The overarching strategy of GTECH is to bring all of these capabilities together to future-proof our customers and maximize revenues for the good causes that they support.



GTECH®
Architects of Gaming

SMART-Tech 2010 Gold Sponsors

International Game Technology (IGT) has been the leader in gaming manufacturing and development since 1981. But IGT's history expands far beyond its first 27 years of business. Its long history of innovation is proof that IGT is and will remain the leader in gaming technologies, bringing gaming operators more value and performance, and players more exciting gaming experiences.

IGT has been involved with video lottery markets from the very beginning, since 1989, when South Dakota was the first state to implement video lottery gaming utilizing a Central System technology to monitor the video lottery terminals. Since then, IGT has worked with every video lottery market that has been created. IGT is proud to be the only gaming company that still provides machines in every video lottery market in the United States. This history and unmatched experience in the video lottery market helps IGT provide a wealth of knowledge and expertise to the regulators and operators.

It is IGT's priority to make more, even better games for all segments of the gaming industry – including the video lottery markets. By offering the latest, specifically tailored products, we are able to help our lottery customers compete with traditional gaming markets and border-state competition.

Through IGT's innovation and considerable investment in research and development initiatives, we have developed numerous technology firsts that help the public gaming sector "level the playing field" between video lottery jurisdictions and traditional casino markets.

IGT's games are more interactive and entertaining than ever before. And only IGT can offer some of the most recognizable themes that players love to play.

IGT has a strong history of leadership in the video lottery market and will continue to be a leader for many years to come. We are proud of the partnerships we have developed with our existing lottery customers and will offer our experience, expertise and support to new emerging markets.

Since the beginning of its history, IGT has offered gaming operators and players the best in gaming entertainment. Still true today, IGT products stand out on a racino/casino floor, and take the gaming experience to the next level. We will continue to develop those partnerships by providing the best-performing games and systems and will continue to strive for solutions to help our customers succeed.

Pollard Banknote is one of the world's leading full-service lottery suppliers focusing on all facets of instant ticket production, including related programming, design, and marketing support. Our company also supplies pull-tab tickets, bingo products, and comprehensive lottery management services to a growing list of customers worldwide.

Pollard Banknote was founded as a commercial printing operation in 1907 and became a specialized security printer of stamps, stock certificates, bonds, and other documents in 1974. This combination of graphics and security printing experience led to a successful transition to instant lottery ticket printing in the mid-1980s.

In 2005, Pollard Banknote, a private, family-owned company since its founding, went public—a change that strengthens our commitment to the lottery industry and enhances the company's ability to continue to compete and grow within it. Listed on the TSE, Pollard Banknote currently provides instant tickets and related services to more than 45 clients, including many of the largest and most respected lotteries in the world.

Pollard Banknote operates five manufacturing facilities across North America. These facilities are located in:

- Winnipeg, Manitoba, Canada
- Ypsilanti, Michigan, U.S.A.
- Barrhead, Alberta, Canada
- Sault Ste. Marie, Ontario, Canada
- Council Bluffs, Iowa, U.S.A.

Together, these five operations total over 510,000 square feet, employ more than 1,100 staff, and provide numerous production lines through which we are capable of manufacturing approximately 18 billion ESS tickets annually.

Pollard Banknote has now served the lottery industry for 25 years and is an active member of the World Lottery Association (WLA), the North American Association of State and Provincial Lotteries (NASPL), and the Asia Pacific Lottery Association (APLA). Our efforts have earned us a reputation as an honest, reliable, and innovative partner.

Sound executive direction, continuous investment in advanced equipment and infrastructure, compelling new products, and consistent marketplace successes ensure that our company remains a leader in the lottery industry. Today and going forward, lotteries throughout the world can count on Pollard Banknote's ongoing presence as a solid contributor and dedicated supplier to the lottery industry.





A grand time



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GRAND RAPIDS, MICHIGAN



grand place



NASPL '10 • Grand Rapids, Michigan • September 22-24, 2010

The Michigan Lottery will be hosting this year's conference in beautiful downtown Grand Rapids, Michigan. NASPL attendees will be staying at the historic Amway Grand Plaza Hotel, with the conference being held at the adjacent DeVos Convention Center. With so much to do surrounded by so much natural beauty, Grand Rapids and Michigan's west coast is truly a grand place. Come see it first-hand!

For your travel convenience, this year's award reception will be held Thursday night, with the conference officially ending in the early afternoon on Friday, September 24.

All Photos courtesy of the Grand Rapids/Kent County Convention & Visitors Bureau



SMART-Tech 2010 Silver Sponsors

Bally Technologies: Founded in Chicago in 1932, Las Vegas-based Bally Technologies is the oldest gaming-technology company in the world. Bally is dedicated to the design, manufacture, operation, and distribution of entertainment-based advanced gaming devices, systems, and technology solutions around the globe. Bally's gaming machine product line includes reel-spinning and video gaming devices for casinos, racinos, VLTs, and other networked-gaming systems. Also, as the world's No. 1 gaming-systems company (with over 300,000 gaming machines from many manufacturers connected to Bally systems), the Company offers the broadest array of player loyalty, monitoring, accounting, bonusing, cashless, and table-management solutions for all markets.

Bally employs more than 2,500 people worldwide with international offices in Amsterdam, Buenos Aires, Johannesburg, and Macau. Approximately 1,200 of these are engaged in research and development at centers in Las Vegas and Reno, Nev.; Huntington Beach, Calif.; Pleasanton, Calif.; Scottsdale, Az.; and in Bangalore and Chennai, India.

From the world's first electronic gaming machine management system, to today's hottest award-winning games and systems technology – such as GSA protocols, ALPHA OS, iVIEW™, iVIEW DM™, and Bally Multi-Connect™ – Bally Technologies continues to be at the forefront of customer-centric innovation. For more information, please visit BallyTech.com.

Ipsos Lottery & Gaming: With 20 years of experience conducting gaming marketing research, Ipsos' Lottery & Gaming team has earned an international reputation for producing the total market intelligence required to build strong business strategies. We employ a broad range of methodologies to support an even wider range of research approaches: market segmentation, game development research, marketing communications, and public policy reviews. We help gaming operators to ensure that both their products and their advertising are highly targeted to stand out among the crowd, and have special expertise in attracting and reaching the Emerging Market, players 18-34.

Betware is a pioneer in the Internet gaming market with more than 14 years' experience of developing interactive gaming solutions. Betware became a technology leader when it launched the first ever Internet based gaming solution for a state lottery. Since then it set a standard of working exclusively with lotteries in authorized jurisdictions. Betware's customers all operate within state authority and its partners are leaders in their respective fields.

With a team of over 100 energetic, creative and passionate professionals based in Iceland, Denmark, Poland, Spain and Canada, Betware puts strong focus on development of gaming solutions. Betware partners with its customers to ensure continuous innovation and market expansion. Betware's gaming platform is designed with flexibility and openness in mind, enabling clients to easily adopt games and features from 3rd party suppliers. Betware focuses on providing a continuous stream of improvements, new features and fresh products that are critical for player retention.

Betware's Technology offers a platform which covers the spectrum of online money gaming, from the backend to player gaming experiences. The benefit is a service with an unparalleled level of security and the flexibility needed to scale the gaming experience for delivery on internet browsers, mobile phones and IPTV. Betware's Technology gives the lottery an opportunity to introduce exciting games to the end players such as lottery, sports, instants, bingo, casino, poker and racing. With ISO 27001 certification and numerous lottery audits Betware's technology has proven to be extremely secure and reliable.

Betware's customers include some of the most innovative lotteries in the world: Islenskar Getraunir & Islensk Getspa (Iceland), Danske Spil (Denmark), British Columbia Lottery Corporation (Canada) and STL – an operator for Loterias y Apuestas del Estado (Spain).

Mobile Lottery LLC: Headquartered in Cary, North Carolina, Mobile Lottery LLC was formed in November 2009 to assist with increasing traditional lottery revenues by offering legally permissible, regulatory compliant, wireless lottery applications delivered via cellular, WiFi, WiMax and eventually LTE networks. With many U.S. states facing critical budget shortfalls and traditional lottery revenues stagnating, Mobile Lottery's wireless lottery solution is anticipated to increase annual lottery revenues 10-15% or potentially \$ 9.5 billion in the United States. Additional revenue streams to the state lotteries include advertising revenues via the company's powerful branding patent which allows the licensing of commercial icons to be displayed within Instant Win Scratch games via mobile, video lottery terminals and computer screens using the Internet.

Mobile Lottery's turn-key lottery offerings will work in tandem with the existing lottery infrastructure and include a variety of lottery games such as text based random number generated games, traditional lottery games such as the Pick 3/4, Mega Millions/Powerball type games, and instant-win scratch games that can be played on new Smartphone devices such as the iPhone and Android OS. Advances in mobile operator location-based services technology, wireless data encryption, and mobile handsets/tablet devices now allow an environment in which secure, reliable and exciting games can be played in a convenient manner. Our account based lottery system can also better address problem gaming by limiting the number of lottery tickets a user can purchase or the total dollar amount an individual can buy per day, week or month as compared to traditional online lottery systems. A fully electronic, server-based lottery system also eliminates issues related to fraudulent and lost tickets. Additionally, with over 41 million paper lottery tickets printed in the United States each day, Mobile Lottery's wireless lottery games represent perhaps the greenest mobile application ever created.



SMART-Tech 2010 Silver Sponsors

Carmanah Signs: Since 1993, numerous state lotteries and global brands have chosen signage from Carmanah to help attract and inform their customers at the point of sale. Carmanah is recognized for aesthetic as well as technological advantages and innovations.

Our double and triple jackpot signs have been chosen by many U.S. lotteries for cross selling Powerball and Mega Millions.

Carmanah is committed to being the leader in creating environmentally responsible engineered products which raise jackpot awareness and increase revenues for good causes. Preliminary data from one of our lottery customers shows an increase in same store sales of between 5% and 8.7% with Carmanah Jackpot Signs in place.

Our wirelessly-updated jackpot signs feature our SmarTrans wireless communication, which not only sends the correct message but confirms receipt. Mechanical innovations such as a "modularity feature" now allow lotteries to add a jackpot to any existing Carmanah sign as well as easily change existing games.

Our next generation SmarTrans wireless communication - which we are introducing at Smart Tech - includes even more features such as diagnostics, pairing and logging functions.

Carmanah is the brand chosen by more lotteries for good reason - quality, value, reliability, service and engineering superiority.

OrderPad Software serves U.S. and international lotteries by providing technology solutions that allow them to operate more efficiently, reduce their costs, and increase their impact. Its flagship product, OrderPad for Lotteries, empowers all lottery team members that interact with the lottery's retailer network to collaborate with each other for more streamlined operations. It provides both a granular view of what is happening with each retailer as well as a macro organization-wide view of the network as a whole.

OrderPad for Lotteries is used by one third of all U.S. lotteries including some of the most successful lotteries in the world like New York, Massachusetts, and Georgia. It has proved to increase the amount of time that lottery sales reps spend in the field by reducing the need for them to work from regional (or home) offices. In some cases, lotteries using OrderPad for Lotteries have increased the time their lottery sales reps spend in the field by as much as 25%.

OrderPad Software is headquartered in New York City's TriBeCa neighborhood at 174 Hudson Street, New York, NY 10013 and has a west coast office in Pleasanton, CA. The company can be contacted at 877-474-6400, www.orderpadsoftware.com, and info@orderpadsoftware.com.

eLOT, Inc: The mission of eLOT, Inc. is to develop market and operate e-commerce sales platforms for state and governmental lotteries. We have initially targeted the Powerball and Mega Millions tickets and all related "Numbers" games (Lotto, Pick 3, 4 and 5) with product extensions to include Keno, Instant and Raffle tickets.

In the Fall 2009, we executed our first development agreement with a major U.S. lottery. Based on this agreement, we plan on deploying eLOT's e-commerce platform statewide in early 2011. We see an added business opportunity in that there is 21 to 35 year old demographic that historically has not focused on lottery game products and a social gaming opportunity that is addressable on the internet. This could broaden market penetration and new product development.

The primary opportunity to participate in this e-commerce market for lotteries is through our intellectual property and technology development expertise. eLOT, Inc. holds patents that provide for the sale of state and governmental lottery tickets on the internet in the U.S., Australia, Canada and China (and pending in the EEC, India and Mexico). We believe our patent portfolio and other e-commerce software vendors will bring new products and marketing strategies to the North American lottery industry that will expand sales and player participation.

In North America, governmental and provincial lottery sales are approximately \$60 billion. We believe that over the next five years 15% to 20% of total lottery sales will come through an e-commerce channel, with much of this representing real lottery sales growth rather than cannibalization. As a point of reference, e-commerce sales are approaching 15% for the United Kingdom National Lottery, Camelot, which is one of the largest governmental lotteries in the world (\$10 BLN.) and is over 20% for the Finnish National Lottery, Oy Veikhaus.

Tournament One (T1) was founded in 2000 by seasoned Cable TV, Media, Broadcasting and Casino Professionals and Computer Engineers and Mathematicians to develop and produce next generation games, content, software, technology and intellectual property for the worldwide Lottery and Casino industries. T1's Gameology™ brings together the art and science of game development to address the need of Lotteries to reach and acquire Gen X and Y players, who grew up playing sophisticated console games.

T1's patented technologies include the Play-By-Play™ game engine that enables Lottery and Casino clients to display millions of variations of random outcomes in games; BroadcastR™ automated content distribution, provides players "on demand" game results on cell phones, iPhones and Internet browsers; and LottoNet™ enables Lotteries to monetize monitor game networks through community games and advertising. T1's products significantly increase the player's entertainment value, make it convenient for the player to stay connected with the lottery and grow incremental revenue through new games and social media marketing. T1 is comprised of mathematicians, software engineers, digital artists and seasoned digital entertainment production management experts. T1 with offices in Stamford, CT and Las Vegas, NV. T1 has established a reputation for producing "Pixar" quality entertainment in the Lottery and Casino industries.



Reinventing the Conference Concept

By Paul Jason

We are working towards what we think is an entirely new conference concept, an entirely new goal and purpose for the conference. It's no longer about educating and informing, or even creating a lively dialogue about provocative issues. It's about making a difference. A real difference. It's about empowering with concrete impact the incredible ideas and intelligence that light up a panel discussion or keynote presentation. That's what happens in a live gathering of genuine thought leaders. That's what happens in a conference session. But what happens after the session is over, after we all return to our jobs back home? To make a real difference, we need to somehow capture and bottle the magic that happens when super-smart people from different vantage points come together to take down a problem, to inspire us to stretch for bigger goals, to let their imaginations plant the seeds that will take root and become the innovations that make tomorrow better than today. Our own personal PGRI mission is to reinvent the very concept or purpose of our conference so that we give a voice to the leaders of this industry - a real voice that is heard by everyone and not just the 200 people attending the conference session.

Government-Sponsored Gaming changes peoples' lives. Of course it changes the lives of the lotto winner, but I'm talking about the lives of the millions of people who depend on funds generated by lotteries to support good causes. I'm talking about the children whose education might stop short were it not for lotteries, about elderly whose care might be impaired without the funds from lotteries, about amateur athletics which might cease to exist without the support of lottery funding...I'm talking about the whole wide variety of important

public service causes that depend upon lottery funding for their very existence. I'm talking about the fact that ours is more than a business, more than an industry. It's a mission.

Ours is a mission which needs to be recognized as such. We may have the support of our stakeholders, but we need much more than that. We need to get the attention and engage the interest and support of the people whose opinion counts most - and that's everyone, the general public! We need to do everything we can to reach out to the general public because in the long run that's whose opinion really counts.

How do we reach out and connect to the general public? How can we communicate to them our passion for causes that benefit them? How can we help them see that what we are doing is good and our purpose worthy? I don't have the answer to that. But I do have some ideas on how we can influence a wider network of thought leaders who can and will help us achieve that objective.

This is just a start, just the beginning of a journey towards the goal of reinforcing the positive image and public persona of Brand Lottery. We are going to capture and bottle, in the form of video-recorded presentations, the ideas and convictions that drive the lottery business. Those ideas and convictions come from the leadership of this industry. That's who is presenting at SMART-Tech 2010. We'll make those ideas and convictions available to a broader audience with a special conference website. But creating a website that highlights the views of these 'thought-leaders' is just the beginning. The real challenge is getting the attention and engaging the interest of the people that matter. That includes everyone in the lottery industry. But it also

includes legislators, regulators, influential media pundits, commercial gaming executives, and many others whose views and opinions affect our industry. We will use all our ingenuity to go out and find that audience wherever it may be.

One example of what we'll be doing is our next conference. Great ideas and fresh insights are garnered in all different kinds of ways, and in all varieties of venues. In addition to creating a venue that attracts people with great ideas to travel to our conference to share those ideas, another approach would be to go to where smart people are already gathering and make ourselves a part of their group. Additional value to this approach accrues from our exposure to industries related to ours, like casino and internet gaming. My first attempt at this is to partner with Global Gaming Expo to bring together the massive resources of the G2E Gaming Expo in Las Vegas and our lottery leadership. I know that we're not all moving into the casino gambling arena; not now and perhaps not ever. But it's no longer about casinos. It's about gaming. It's about the games themselves more than it is about the buildings that host those games or the distribution channels that make those games available to the players. The beauty of this fact is that lotteries are in a far better position to make those games available in an 'Anytime, Anywhere' world than anyone else. And certainly better than big destination casinos. So let's go where the games are and figure out how to make available to our customers the incredible wealth of game concepts that we'll see at G2E. PGRI will help to make your visit to this great gaming show more productive and rewarding than ever. So...See you in Vegas! ♦



Public Gaming Magazine
Lottery EXPO
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the Door
to a
World
of
Possibilities**

VISIT WWW.PUBLICGAMING.COM FOR DETAILS

PGRI / Public Gaming International Magazine is teaming up with Global Gaming Expo (G2E) to bring you Lottery EXPO 2010. The concept is to customize the huge G2E gaming expo and conference for the benefit of North American Lottery executives. Along with Team G2E, our commercial partners will be on hand to welcome you and help you get the most out of your visit. The dates are Tuesday and Wednesday, November 16 and 17, 2010.

Stay tuned to www.PublicGaming.org for more info, details, and updates.

SMART-TECH 2010 CONFERENCE

A G E N D A

Sheraton Hotel & Towers
Manhattan, New York City
March 22 — March 25, 2010

MONDAY, MARCH 22

2:00 pm to 7:00 pm

Registration at New York
Ballroom East

5:00 pm to 7:00 pm

Welcome Reception in the
New York Ballroom East

Musical Theme

Favorite Classics from
Broadway Musicals

TUESDAY, MARCH 23

8:00 am

Registration & Continental
Breakfast

All General Sessions to be held
in the New York Ballroom East

9:00 am

Welcome to New York City and
SMART-Tech 2010

- Paul Jason, CEO of Public Gaming Research Institute
- Gordon Medenica, Director

of the New York Lottery

Keynote Addresses

- Margaret DeFrancisco, President & CEO of Georgia Lottery Corp, President of NASPL (National Association of State & Provincial Lotteries)
- Rebecca Hargrove, President & CEO of the Tennessee Education Lottery Corporation
- Gordon Medenica, Director of the New York Lottery

Q&A Session

- M. DeFrancisco
- R. Hargrove
- G. Medenica

10:30 am

Coffee Break

Focus on International

- Friedrich Stickler, Deputy Director General of the Austrian Lotteries, President of the European Lotteries Association: *Perspectives on*

Internet Gaming in Europe – the Austria Lotteries Model

- Aleš Hušák, Chairman of the Board of SAZKA, Lottery Operator of Czech Republic
Managing Complexity: More Games & More products requires new Brand and Portfolio Management Strategies
- Pierre Bruneau, Director Strategy & International Relations, La Française des jeux: *The “Controlled Opening” of the French Gaming Market & its Impact on Lottery Strategy Going Forward*

Q&A Session

- F. Stickler
- A. Husák
- P. Bruneau

NOON

Luncheon will be served in the
New York Ballroom East

- Joint Presentation by Joan Borucki, Director of the



M. DeFrancisco



R. Hargrove



G. Medenica



F. Stickler



A. Husák



P. Bruneau

California Lottery and **Dianne Thompson**, CEO of the Camelot Group plc., United Kingdom: *Driving Growth through Public Private Partnership*

Q&A

- J. Borucki
- D. Thompson
- Simon Holliday, Director, H2 Gambling Capital: *Interactive Gaming – Threat or Opportunity to traditional lottery games?*

Focus on Legal / Regulatory

- **Philippe Vlaemminck**, Legal Counsel to the European Lottery Association: *Inside the EU: Thoughts for Modern Regulation of Internet Gambling in a TransAtlantic Perspective*
- **Bill Murray**, Deputy Director and General Counsel to the New York Lottery: *Internet Initiatives to drive Lottery growth – Getting there one step at a time.*
- **Mark Hichar**, Partner, Head of the Gaming Group with Edwards et al. Law Firm: *Update on the status of Internet Gaming Regulatory Policy on the U.S. Federal level*

Q&A Session

- P. Vlaemminck
- B. Murray
- M. Hichar

3:00 pm

Coffee Break

Platinum Sponsor Keynote Speeches

- **Michael Chambrello**, President & Chief Executive Officer, Scientific Games Corp. – *Anytime, Anywhere: Convergence to Simplify and Expand the Player Experience*
- **Ed Honour**, President & Chief Technology Officer, MGT Lottery



J. Borucki



D. Thompson



S. Holliday



P. Vlaemminck



B. Murray



M. Hichar



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- **Donald Stanford**, Chief Technology Officer, GTECH
- **George Zenzefilis**, General Director, INTRALOT Interactive

Q&A Session

- G. Zenzefilis
- D. Stanford
- E. Honour
- M. Chambrello

5:00 pm

Reception in the New York Ballroom East Sheraton Hotel

Musical Theme

Jazz from NYC's famous Blue Note Jazz Club

WEDNESDAY, MARCH 24

All General Sessions to be held in the New York Ballroom East

8:00 am

Continental Breakfast

US Lotteries in a Market-Driven Business – Power to the Player

9:00 am

- **David Barden**, Vice President Gaming Operations, Arkansas Scholarship Lottery: *Banks, Air Lines, Book Stores, Grocery Stores, all have use this method to build loyalty, retain customers, and encourage repeat business...Why not Lotteries? (not pictured)*
- **Ernie Passailaigue**, Executive Director of the Arkansas Scholarship Lottery: *The Arkansas Lottery Startup Story*
- **Wayne Lemons**, Director of the Delaware Lottery: *Lots of Distribution, not enough Product – the need for more Content*
- **Gardner Gurney**, Deputy

Director and Director of Operations for New York Lottery

- **Terry Rich**, President & CEO of the Iowa Lottery: *Breaking the National PR Barrier – How Powerball and Mega Millions will play together*

Q&A Session

- D. Barden
- E. Passailaigue
- W. Lemons
- G. Gurney
- T. Rich

10:30 am

Coffee Break

Power-to-the Player' Drives Technological Innovation

- **James Maida**, CEO Gaming Laboratories International (GLI): *Cutting Edge Technology: A Worldwide View*
- **Marc McDermott**, Technical Director, Gaming Standards Association: *Technological innovation that connects you to your customer*

Q&A Session

- J. Maida
- M. McDermott

Gold Sponsor Presentations

- **Andre Brunette**, Sales Account Manager, International Game Technology (IGT)
- **Don Sawatzky**, Vice President Sales & Marketing, Pollard Banknote

NOON

Luncheon will be served in the New York Ballroom East

Major Peter O'Connell Lottery Industry Lifetime Achievement Awards

- **John Musgrave**, Director of the West Virginia Lottery
- **John Pittman**, Vice-President Marketing for INTRALOT

The Future of Gaming

Markets, also known as customers, are telling us what the future will be like.

A 'Power-to-the-Player' business strategy embraces the reality that it is the customer who anoints the successful business model, who blesses the superior value proposition, who demands fearless innovation and drive to create the best product. The immense resources funding the R & D that analyzes these trends and drives our industry forward comes largely from the commercial community. Vision of the Future Presentations is a special session that will be video-recorded and form the basis for our new special conference website. www.TED.com is the model for what we are trying to create for the Lottery Industry. The Future Belongs to Those Who Create It. Like the curators of TED, "We believe passionately in the power of ideas to change attitudes, lives and ultimately, the world." Applying these principles to the Government-Sponsored gaming industry, our mission is to empower and give a voice to the ideas and principles as expressed by the leaders of our industry. The Vision of the Future session is sponsored and led by the leaders who are creating the future of the gaming industry. *Welcome to the Future!*

Q&A Session

- GTECH
- INTRALOT
- MGT Lottery
- Scientific Games



M. Chambrello



E. Honour



D. Stanford



G. Zenzefilis



E. Passailaigue



Wayne Lemons

The Lifetime Achievement Award was created in 1993 to honor Major Peter J. O'Connell, the first director of the Rhode Island Lottery. Major O'Connell personified the attributes of integrity and dedication that this award and his name are meant to honor. The recipients of this award were nominated and selected by their colleagues in the industry for having distinguished themselves over a long period of time and made important contributions to the success of lotteries. Today we come together to honor this year's recipients, John Musgrave and John Pittman.



G. Gurney



T. Rich

- IGT
- Pollard Banknote
- Bally Technologies
- Betware
- Carmanah Signs
- eLottery
- Ipsos-Reid
- Mobile Lottery
- OrderPad Software
- Tournament One

5:00 - 7:00 pm

Reception in the New York Ballroom East



J. Maida



M. McDermott

Musical Theme

Paul's iPod Playlist (wish I could say by popular demand)

**THURSDAY,
MARCH 25**

9:00 am to 11:00 am

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Location

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J. Musgrave



J. Pittman

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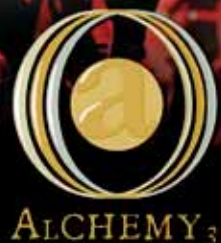
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I Who will be the First to Implement Internet Gaming in the US?

By Paul Jason, Publisher of Public Gaming International Magazine

Internet Gaming is an opportunity for those who act now to integrate it into their business. It is a threat to anyone who does not recognize the transformational impact that Internet Gaming will have on the gaming industry and integrate this fact into their strategic planning.

My purpose in writing this short piece is to bring to the attention of our readers – state government officials and lottery operators – that other gaming operators are moving forward with plans to enter the Internet Gaming space. One example is the actions of Indian Gaming Casino operators. Like almost anyone in this industry, they do view Internet Gaming as an opportunity to expand. But the driver seems to be defensive. Indian Gaming Casinos see it as a threat to their casino business and want to do what they can to get control of it preemptively. The concern is that players who gamble at Native American casinos will shift some of their gambling over to Internet Gaming.

Daniel Tucker, Chairman of the Sycuan Band of the Kumeyaay Nation and also chairman of the California Nations Indian Gaming Association, a coalition of 25 tribes, intends to “lead the fight” against Frank’s “outrageous and unjust” federal legislation. “The recent drive by members of Congress to legalize Internet casino gambling nationwide represents the greatest threat to Indian gaming in the last 20 years,” Tucker said.¹

Many gambling experts contend that the concern that Internet Gaming will have a negative impact on casino gambling is unfounded. The majority of casino revenues come from slot machines. Internet gambling is mostly about poker, the theory goes, and these are two different player profiles. Slot players enjoy the risk involved in taking a chance to win, and poker players are more interested in the skill and game aspect of playing. “The profile of the U.S. online player is a skilled poker player, he doesn’t go to casinos” said Lewis and Roca attorney Anthony Cabot, an authority and author on Internet gambling.¹

The notion that players have profiles that prevent them from shifting some of their spend into other product categories has always seemed simplistic and not in tune with the times. For instance, the assumption that lottery players don’t go to casinos and that casino players do not play the lottery may have been true when a weekend commitment, along with financial wherewithal, was required to play in a casino. And there is certainly an inertia that propels us to repeat behavior and recreational experiences that were enjoyable to us in the past, are familiar to us now, and so repeating them relieves us of the learning curve inconvenience. But isn’t it a mistake to translate those dynamics into the notion that the attributes of a player profile and game preferences become an immutable part of the player personality? Think of the businesses that assumed that the consumer won’t change their behavior and exercise freedom of choice ... this is not a recipe for success. I’ll go a step further and point out that the next generations of consumer are quite comfortable with learning new protocols and forms of behavior. In fact, the learning curve that served as a deterrent to people of my generation actually appeals to the younger people. They’re used to it and enjoy the new experience and even enjoy the process of learning how to operate the new technology or, as the case may be, how to play a new game in a new and unfamiliar venue or medium.

The other problem with taking a sanguine approach to the impact of increased consumer choice in the gaming marketplace is that the economic volume is quite significant with an extensive infrastructure built to support it. Even a relatively marginal percentage change in revenue or profit would be highly disruptive to a profit structure.

Anthony Cabot opines, “My personal feeling is from an economic standpoint Internet gambling does not have a negative impact on land-based casinos. In fact, it’s the

opposite. Once land-based casinos – tribal or commercial – embrace Internet gambling they will find it’s going to be a valuable tool to bring traffic to their facility.”¹ He is right but only if the operator, regardless of which specific gaming category (casinos, lotteries, whatever) embraces Internet Gaming as a vital part of their product portfolio, media channel to connect with their customer, and distribution network to make the product available to the customer. The assumption that we don’t need to worry about our loyal customer migrating over to new types of games and venues is, I would propose, highly suspect.

International online poker and sports wagering is estimated to exceed \$20 billion. The figure of \$5.9 billion in US online wagering is what everyone seems to accept as accurate, but I have no idea how ‘they’ came up with that figure and am always amused when a statistic or data point has a level of specificity that is clearly not based on empirical evidence or fact. If that figure is accurate (and I do assume it is somewhat accurate), what does that imply about the potential of Internet Gaming when it actually becomes legal to play in the U.S.?? The bottom line, though, is that the economic impact on the industry will be huge and the financial impact on any and all operators (casino, lottery, or others in the gaming industry) will be dramatic.

The conclusion is quite simple. Internet Gaming is an opportunity for those who act now to integrate it into their business. It is a threat to anyone who does not recognize the transformational impact that Internet Gaming will have on this industry and integrate this fact into their strategic planning.

¹. Internet Gambling: Threat or Opportunity, by Dave Palermo, Indian Country Today www.indiancountrytoday.com

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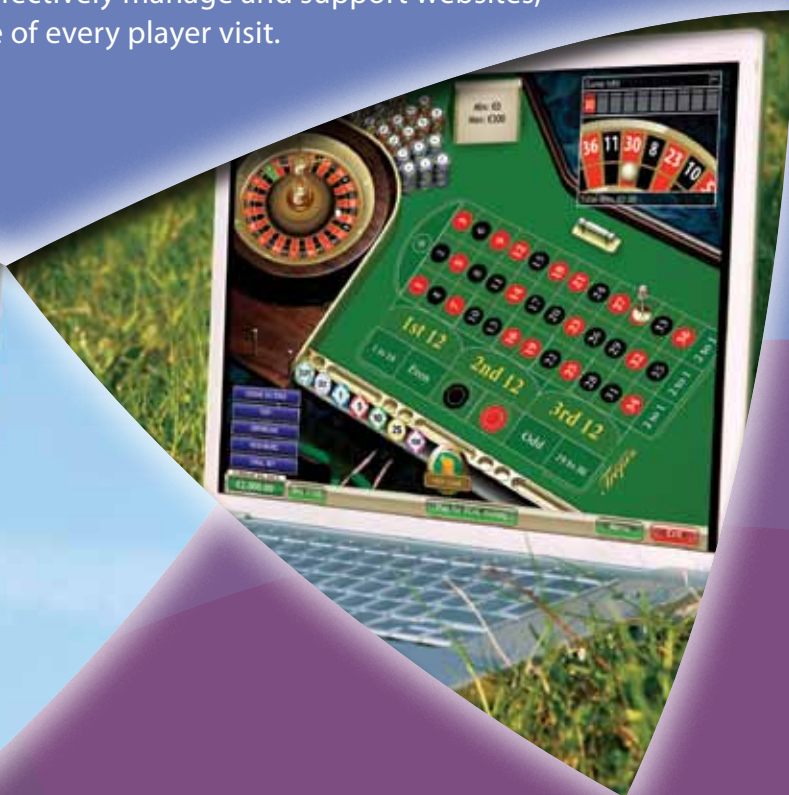
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