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March/April 2012



CHARLES MCINTYRE



LORNE WEIL



KONSTANTINOS FARRIS

FEATURE INTERVIEWS:

Charles McIntyre

TURNING VISION INTO REALITY

THE ICE LONDON
GAMING SHOW
INTERVIEWS

Lorne Weil

Barak Matalon

Sam Nickless

Richard Haddrill

Christopher Satchell

Konstantinos Farris



BARAK MATALON



CHRISTOPHER SATCHELL



SAM NICKLESS

MAJOR PETER J. O'CONNELL LOTTERY INDUSTRY LIFETIME ACHIEVEMENT AWARD



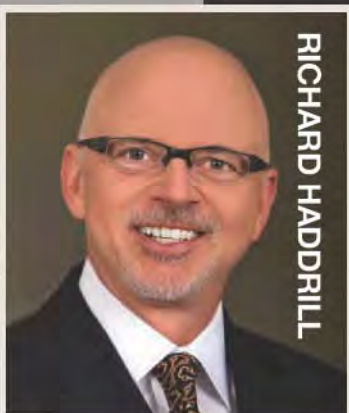
Gary Grief

Executive Director
Texas Lottery Commission



Tom Shaheen

Executive Vice President
Linq3



RICHARD HADDRILL

I SPEAK

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Player Services
Downloading
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Cindy Hovey
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Product Management



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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!

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From the Publisher

Paul Jason, CEO, Public Gaming International Magazine

Congratulations to **Gary Grief** (Executive Director of the Texas Lottery Commission) and **Tom Shaheen** (Executive Vice President of Linq3) for being the recipients of the 2012 Major Peter J.

O'Connell Lottery Industry Lifetime Achievement Award. Their impressive bio's are on page 8. This award honors industry leaders not just for their accomplishments in business, but also their tremendous efforts to advance the interests of government gaming for which we are all indebted. Mr. Grief and Mr. Shaheen will be honored in a March 21 ceremony that has become a wonderful tradition at the Smart-Tech Conference in New York City.

The biggest gaming show in the world is held annually in London the last week of January. Included in this issue is the first set of interviews we conducted at the ICE Gaming Show. The leaders of the most innovative companies in the gaming industry each have a unique vision for the role their company plays in the progress of the industry and the success of their customers. The exciting thing for all of us, though, is that their vision is being turned into reality. There has never been more opportunity combined with more commercial support to power government gaming into the preeminent position as gaming operator of choice for hundreds of millions of consumers throughout the world.

This issue serves also as our SMART-Tech Conference issue and program. Fortunately, the themes are very much related. U.S. lotteries are on the advent of some major leaps forward in terms of how

they connect with their customers, and in the development of games that will appeal to the social and internet gamer. Markets, gaming cultures, legacy gaming infrastructures, regulatory frameworks, lottery business models, and so much more all differ from one jurisdiction to another. BUT, there are also many similarities and things we can learn from how the industry has evolved in other markets, and the tremendous technologies being brought to bear for operators in the business of serving the needs of lottery customers. Our ICE Gaming interviews coalesce perfectly with Smart-Tech to inform the decisions we make for our own forward-looking business strategies; and also to empower us to exercise a more proactive role in shaping the direction that this industry takes.

European governments have long been challenged to defend the fundamental concept of lotteries as a vehicle to generate funding for good causes. That's because the European Union was established for the primary purpose of establishing a single common market with standardized commerce and trade laws. The U.S. has a similar system in that states are prohibited from erecting arbitrary barriers to trade and free-market competition. As regards to lotteries and gambling, however, the United States applies a common-sensical exception to the application of free-market principles. European lawmakers have, for some reason, felt bound to apply principles of free-market capitalism even in the case where those principles are not supported by the public. A rash and unsupported claim, the advocates for free and open gambling markets might protest. Well, why don't we put it to a vote? Oh wait, someone just did. The people of Switzerland just voted by an overwhelming majority (87%!) that profits gener-

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"A multi-state retailer was being courted by a number of lotteries, including ours. Knowing that the lotteries were meeting with limited success, GTECH orchestrated a single meeting with the retailer, so all the lotteries could be equally represented. Upon approval, GTECH went to great lengths to train the retailer,



ated from lottery games and sports-betting should be allocated towards worthy causes and that the government is entitled to enforce the monopoly model for the protection of funding for worthy causes. Thankfully, the EU Commission is coming around to the point of view that the will of the member states should be respected as it relates to the regulation and taxation of lottery and gambling. Let's hope the U.S. federal government does the same and stays consistent with the position that regulation and taxation of gambling should all be done exclusively by the states.

Lotteries are dedicated to public service and as such are not charged with lobbying for their own interests; or conducting elaborate PR campaigns to enlist public support. Fortunately for lotteries and U.S. states, we have common sense and the interests of the public on our side. We just need to find ways to get our voices heard by the shapers of public policy.

Charlie McIntyre helps me to sort out the implications of that. With a perspective informed by years of service in the district attorneys' office, as well as testifying before Congress on these issues, and current service as co-chair of the NASPL Government Relations Committee, and director of one of the more progressive lotteries (New Hampshire), Director McIntyre combines a respect for the political process with a strong conviction that shapers of public policy want to be informed about issues that affect their constituents. Armed with the facts, Director McIntyre is confident that U.S. lawmakers will respect the will of the state governments to decide what is best for the citizens of their state.

LOTTERY PLAYERS ALLIANCE

"FairPlay USA" and "Poker Players Alliance" are groups that purport to represent the interests of people who want to play internet poker. It is questionable just how much grassroots support they actually have, but their claim to be representing the consumer seems to have given them some measure of influence on Capitol Hill. Moreover, the casino gambling interests that back these groups are

twisting whatever consumer support there is for internet poker into a political platform that is driving federalization of internet gaming. To my mind, Team Lottery not only has common sense, the interests of worthy causes, and the rights protected by the 10th Amendment on its side. We have the support of the people, and an obligation to do what we can to give a political voice to the vast majority of consumers for whom their own state lottery is their gaming operator of choice. Lottery Players Alliance was formed for that purpose. Visit www.LotteryPlayersAlliance.com to learn more. The specific agenda of Lottery Players Alliance will evolve over time, but always with the singular mission of defending the interests of consumers who play the lottery and want to support their state lotteries. Your input on how to optimize the impact of this initiative is welcome, and your support appreciated.

Thank you all for your support. I welcome your feedback, comments, or criticisms. Please feel free to e-mail me at pjason@publicgaming.com.



ensure a trouble-free rollout, and implement specialized reporting tools. Thanks to GTECH's strength, expertise, and nationwide presence, the Georgia lottery successfully added a new outlet. I could not ask for a better partner for the Georgia Lottery Corporation."

Bill James, *Corporate Account Manager, Georgia Lottery Corporation*

For more about this story and others like it, visit us at gtech.com/testimonials.



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2012 Lifetime

Major Peter J. O'Connell Lottery Industry Achievement Award



▶ **Gary Grief**
Executive Director
Texas Lottery Commission

Gary Grief was appointed Executive Director of the Texas Lottery Commission in March 2010, overseeing a \$4 billion enterprise whose mission is to generate revenue for public education and other good causes in the State of Texas.

Gary has been an integral part of the success of the Texas Lottery Commission

since its inception. Appointed in 1991 by the Texas Comptroller of Public Accounts to the original eight-member Lottery Task Force, Gary was assigned to research and launch the Texas Lottery. Gary assumed the role of Statewide Manager of Claim Centers in 1992, overseeing 24 field offices statewide. Serving in this role until 1997, Gary then accepted the position of Director of Lottery Operations. While serving as Director of Lottery Operations, Gary was the recipient of the 2002 "Powers Award" for Performance Excellence in Lottery Operations by the National Association of State and Provincial Lotteries (NASPL). This award is presented annually to the outstanding performers in the North American lottery industry.

Between 2002 and 2010, Gary served as Acting Executive Director for three separate terms, and as Deputy Executive Director during the periods when not serving as Acting Executive Director. In recent years, Gary has taken on a leadership role not just for the Texas Lottery but in national lottery industry initiatives as well.

In 2008, Gary actively participated in discussions between the Multi-State Lottery Association (MUSL) and the Mega Millions group to reach an agreement on cross-selling both Powerball and Mega Millions. These talks came to fruition in January of 2010 when the majority of US lottery jurisdictions began selling both products. For Texas, Powerball has generated more than \$80 million in revenue for the Foundation School Fund since that time.

Assuming the Lead Director position for Mega Millions in September 2010, Gary assisted in discussions with MUSL (Powerball) regarding a potential price increase for Powerball. Such an agreement was reached in 2011 and the Powerball price point was changed to \$2 in January 2012. Early recent results indicate that this change will dramatically increase Powerball revenue in Texas.

Gary also led the Texas Lottery Commission through its recent Lottery Operator procurement process, the most significant procurement undertaken by the agency since lottery start-up. As the first Texas Lottery Executive Director to actively participate in every step of the procurement process, Gary worked closely with the TLC Chairman to successfully navigate several significant challenges during this procurement, inherent of the extremely competitive nature of the lottery industry. GTECH was announced as the apparent successful proposer in late 2010.

Gary has also been an active participant and leader in the National Association of State and Provincial Lotteries (NASPL). Initially elected as Region IV Director of NASPL in October 2008, he has since been appointed and served as NASPL Secretary and, most recently, elected and currently serving as 2nd Vice President. Gary also serves as the NASPL Accounting Subcommittee Chairman, responsible for the annual personal development seminars for lottery industry finance and accounting professionals.

Under Gary's leadership, the Texas Lottery has contributed more than \$1 billion annually since 2004 to the State of Texas. A native Texan, Gary is a graduate of the University of Texas at the Permian Basin where he earned a bachelor's degree in business administration. ♦



▶ **Tom Shaheen**
Executive Vice President
Linq3

Tom Shaheen began his 24-year lottery career in 1987 as a Sales Representative with the Florida Lottery. He remained with the Florida Lottery for 4 ½ years holding positions as Warehouse Manager, Sales Manager, and District Manager. In 1992 he was hired by the

Texas Lottery as part of their start-up team, serving as Field Service Supervisor. As Field Supervisor, Tom oversaw the operation of ten district offices operated by the Online Gaming Vendor. Within seven months he was promoted to Assistant Marketing Manager.

Tom moved on in 1993 to become part of the Georgia Lottery start-up, fulfilling the role of Vice President of Sales. During his tenure with the Georgia Lottery he was promoted to Senior Vice President of Sales and Marketing, and then Executive Vice President. "Tom was instrumental in the start-up and growth of the Georgia Lottery," states then CEO, Rebecca Paul Hargrove. "As an example, as overseer of instant tickets, instant sales grew from \$7 million per week to a high of \$21 million per week. The retailer base grew from 4000 retailers at start-up over 6000 upon his departure in 2000."

On March 20, 2000, he was appointed as Chief Executive Officer of the New Mexico Lottery Authority. Tom remained in New Mexico for 5 ½ years. During that time New Mexico Lottery sales rose by 40% and the return to education increased by 55%. In November of 2005 Tom left New Mexico to become the first Executive Director of the North Carolina Education Lottery (NCEL). Despite a rocky beginning, due to pre start-up controversies, the NCEL sold its first ticket on March 30, 2006. Along with its online vendor, GTECH Corporation the NCEL processed and installed over 5000 retailers in 115 days, the fastest U.S. launch at the time. Upon his departure in 2010, the NCEL had recorded 3 successive years of increased sales and grown its retailer base to over 6400 retailers.

In September of 2010, Tom joined Linq3 as Executive Vice President. Linq3 is a cutting edge technology company that has developed the secure protocol for lottery transactions on ATM's, fuel pumps, taxicabs and other unmanned points of sale. Linq3 is currently working with several lotteries to incorporate these new distribution points for the sale of lottery games to reach new players as well as engage infrequent players sooner.

In 2005, Tom served as the President of the North American Association of State and Provincial Lotteries (NASPL). He previously served as Chairman of the NASPL Standards Initiative Committee. In 2009 Tom served as President of the Multistate Lottery Association (MUSL). During his tenure as President, he was instrumental in leading the collaboration with Mega Millions states to initiate cross-selling of Powerball and Mega Millions in 42 U.S. lottery jurisdictions. In 2005, Tom also served as Vice-Chairman of Powerball. Including his time in the lottery industry, Shaheen has more than 33 years of management experience including 8 years with Eastern Airlines. He is a native of the great motor city, Detroit, Michigan and is a 1975 graduate of Wayne State University with a degree in Business Administration. ♦

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M. Carney

SMART-Tech 2012

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“It’s kinda fun to do the impossible” -Walt Disney

It’s not impossible, but it won’t be easy to harness the efforts of retailers and all our channel partners, all our commercial partners, our legislators, all our stakeholders and all our resources to work so harmoniously that it would appear that we all have the exact same mission, and serve the exact same constituents. Because we do. We all strive to optimize performance for the benefit of consumers, Good Causes, and the citizens of our jurisdiction.

SMART-Tech 2012 is convening a very special group of industry leaders to capture the magic of this special time in the lottery industry and set us on a course to be the preeminent leaders that the consumer and Good Cause beneficiaries expect us to be. Lottery is now entering a business climate in which the opportunities are going to come and go more quickly than ever. The need to act decisively is critical for Lottery just as it is for all businesses everywhere. New channels of distribution represent tremendous opportunity for lotteries to bring in new consumer groups as well as excite our loyal customers. But it does also introduce new levels of complexity and new kinds of business and public communication challenges. We want to thank the SMART-Tech speaker team for helping us to wrestle down the obstacles that stand in the way of progress and forge the action-plans that keep Government Gaming on the leading edge of this industry.

MONDAY, MARCH 19

5:00 pm to 7:00 pm

Welcome Reception!

TUESDAY, MARCH 20

8:00 am to 9:00 am

Continental Breakfast

9:00 am

Paul Jason, CEO of PGRI,
Opens the Conference Sessions

SESSION I Keynote Address

- Gordon Medenica
Director New York Lottery and
President of NASPL
- Risto Nieminen
CEO Veikkaus Oy Finland and President of the
World Lottery Association (WLA)

Being the first to distribute lottery products over the internet, beginning in 1996, Veikkaus has evolved strategies that serve the interest of all channel partners. i-Lottery sales now comprise over 30% (up from 22% just three years ago) of total sales, and land-based retail

sales have grown every year. Mr Nieminen explains how Veikkaus integrates the internet into the channel mix so that everyone wins, including or even especially, land-based retailers. Too, Mr Nieminen is a great evangelist for the power of multi-jurisdictional collaboration, and why Team Lottery stands to benefit most from the globalization of gaming.

- Torbjørn Almlid
CEO, Norsk Tipping AS,
the Norwegian Lottery Operator
Norsk Tipping operates IVT’s (Interactive Video Terminals), distributes through a network of land-based retailers, and derives over 20% of its sales through internet and mobile channels. Its unique level of player engagement (100% player registration) has become a powerful customer relationship management, marketing, and RG tool. Mr Almlid has played a central role in the formation of the new multi-national jackpot game EuroJackpot which is scheduled to launch next month.
- Kevin Gass
Vice President of Lottery Gaming, BCLC in
British Columbia
BCLC has distributed the traditional lottery games over the internet since 2004

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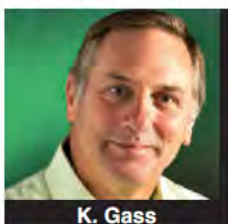
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D. Feeney



K. Freedlund



K. Gass



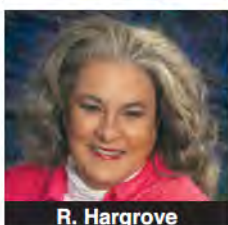
M. Geiss



G. Grief



G. Gurney



R. Hargrove

and was first to implement the full portfolio of i-games, including casino and poker, in Canada. Mr Gass has served in many different leadership roles, including leading the i-gaming implementation from inception until last year when he was appointed to lead all lottery operations for BCLC. engaging the support of land-based retailers and contributing to the creation of the Canadian Poker Network, informs a perspective that should help U.S. lottery leaders anticipate some of the challenges and clarify the early stage action-plans to move into the internet space.

10:45 am

Coffee Break

SESSION II

Panel Discussion

Integrating the Internet into the channel mix so that everyone wins: Lottery operator, players, and land-based retailers. How can we accelerate the implementation of i-distribution and i-gaming, avoid the land-mines, and fast-track the proven success strategies? Lessons from lotteries which are doing it now (and have done it for many years).

Moderator:

- Rebecca Hargrove
President and CEO,
Tennessee Education Lottery

Panelists:

- Torbjørn Almlid
CEO, Norsk Tipping AS,
the Norwegian lottery and gaming operator
- Kevin Gass
Vice President of Lottery Gaming,
BCLC in British
- Risto Nieminen
President & CEO, Veikkaus Oy, the Finland
lottery and gaming operator; and President
of the World Lottery Association (WLA)
- Jean Jorgensen
Executive Director of the
World Lottery Association

Turning Vision into Reality: Solutions from the drivers of Innovation and Progress in Lottery

- Rick Weil

President of Sciplay –
A Scientific Games Company

- Alan Eland
Senior Vice President and Chief Operating
Officer, GTECH North America
- Brendan McCarthy
Senior Account Executive,
Aristocrat Technologies
- Moti Malul
VP Sales & Business Development,
NeoGames

12:30 pm

Lunch

Turning Vision into Reality: Solutions from the drivers of Innovation and Progress in Lottery *(continued)*

- Doug Pollard
Co-Chief Executive Officer, Pollard Banknote
- Mike Veverka
Founder and CEO of Jumbo Interactive
- John Pittman
Vice President Marketing, INTRALOT
- Alex Kovach
Managing Director of Camelot Global Services

Panel Discussion

Engaging Retailer support for expansion into new media and channels. Obstacles and Solutions from the U.S. Lottery Director point of View

Moderator:

- Margaret DeFrancisco
President & CEO Georgia Lottery

Panelists:

- Scott Bowen
Commissioner, Michigan Lottery
- Charles McIntyre
Executive Director, New Hampshire Lottery
Commission
- Gordon Medenica
Director New York Lottery and President of
NASPL
- May Scheve Reardon
Executive Director, Missouri Lottery
- Terry Rich
President & CEO, Iowa Lottery Authority
- Buddy Roogow

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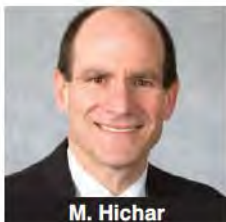
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M. Hichar

Executive Director, D.C. Lottery

3:15 pm

Coffee Break

Panel Discussion 1: Not for the Faint of Heart

The IMAGINEERING session:

- 1 What will the multi-jurisdictional games of the future look like?
- 2 The internet is not just a channel of distribution. How can the traditional lottery games be updated or redesigned to deliver new and exciting gaming experience to the i-lottery player? (Let your imagination run wild.)

Moderator:

- May Scheve Reardon
Executive Director, Missouri Lottery

Panel Discussion to include representatives from four of the following industry leaders:

Panelists:

- Brendan McCarthy
Senior Account Executive, Aristocrat Technologies
- Michelle Carney
Vice President Marketing, GTECH
- Barak Matalon
Chief Executive Officer, NeoGames
- Jim Kennedy
Chief Marketing Officer, Scientific Games Corp.

Panel Discussion 2: Not for the Faint of Heart

The EXECUTION session:

- 1 What can the operator and its commercial partners do to ensure that our retail channel partners benefit by lottery expansion into new media and distribution channels like internet?
- 2 How can the internet be integrated into existing lottery operations to deliver optimum results?

Moderator:

- Gardner Gurney
Deputy Director and Chief operating Officer, New York Lottery

Panel Discussion to include representatives

from four of the following industry leaders:

Panelists:

- Nigel Beaney
Director of Interactive Services, Camelot Global Services
- John Pittman
Vice President Marketing, INTRALOT
- Doug Pollard
Co-Chief Executive Officer, Pollard Banknote
- Mike Veverka
Founder & Chief Executive Officer, Jumbo Interactive

5:00 pm to 7:00 pm

Reception

WEDNESDAY, MARCH 21

8:00 am to 9:00 am

Continental Breakfast

9:00 am

Lorien Pilling
Research Director, Global Betting & Gambling Consultants (GBGC)

Lotteries on the Internet: Essential Evolution, not Optional Extra

GBGC will assess the opportunities afforded to state lotteries by Internet and mobile technology and explain why Internet sales are an essential evolution for state lotteries in the coming decade. GBGC will also address the impact of the Internet on existing sales and how new technology can complement retail operations.

LEGAL/REGULATORY/POLITICAL SESSION

What do events and the recent history of the way that regulatory frameworks have evolved in Europe and Canada tell us about the current U.S. situation, particularly as regards the fight over states' rights to regulate the industry against the lobbying interests of Big Casino to federalize the regulatory framework. Too, insofar as it is not in the charter of government lotteries to lobby on behalf of their stakeholders, how does the government lottery promote the interests of its stakeholders to their political constituents and the general media?

- Philippe Vlaemminck
Partner, Altius Law Firm in Brussels



J. Jorgensen



J. Kennedy



A. Kovach



M. Malul




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B. Matalon



B. McCarthy



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C. McIntyre



G. Medenica



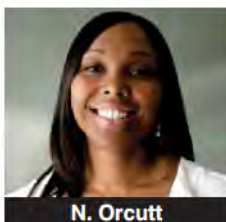
B. Murray



R. Nieminen



J. Oakes



N. Orcutt



P. Jason



J. Pittman

and Legal Counsel representing Team Lottery at the European Union level

There are similarities between the EU and US legal framework applicable to lotteries and the concerns these generate. Similar, or at least comparable, actions have to be implemented by the different states (both in the EU and the US) in order to safeguard their local specificities/role. Transatlantic cooperation between lotteries and regulators is a key element for this.

Panel Discussion:

Legal/Political/Regulatory Issues

Moderator:

- Bill Murray
Deputy Director & General Counsel, New York Lottery

Panelists:

- Scott Bowen
Commissioner, Michigan Lottery
- Kurt Freedlund
Senior Vice President & General Counsel, Georgia Lottery Corp.
- Mark Hichar
Partner with Hinckley, Allen and Snyder Law Firm and Chair of its Gaming Law Practice Group
- Philippe Vlaemminck
Partner, Altius Law Firm and head of its EU Regulatory and Trade Practice Group

10:30 am

Coffee Break

Multi-Jurisdictional Collaboration:

\$2 Powerball- Are the results and the future really "More, Bigger, and Better"?

Moderator:

- Terry Rich
President & CEO, Iowa Lottery Authority

Panelists:

- Jeff Anderson
Director, Idaho Lottery
- Gary Grief
Executive Director, Texas Lottery
- May Scheve Reardon
Executive Director, Missouri Lottery
- Chuck Strutt

Executive Director MUSL

The Future of Lottery: Delivering new play styles through multiple channels

Panelists:

- Wojtek Bachorski
Chief Sales Officer, Advant Games
- Daniel Cage
Chief Executive Officer, Linq3
- Marcus Geiss
Executive Board Director, Tipp24 SE
- James Oakes
Chief Executive Officer, Roboreus/GeoSweep

12:30 pm

Lunch

1:30 pm

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

- Gary Grief
Executive Director, Texas Lottery
- Tom Shaheen
Executive Vice President, Linq3

World Lottery Summit 2012: "A world of Opportunities à la Montréal"

- Jean Jorgensen
Executive Director of the World Lottery Association (WLA)
 - David Gale
Executive Director of the National Association of State & Provincial Lotteries (NASPL)
 - Nikki Orcutt
Deputy Director Marketing, West Virginia Lottery
- Play styles are converging across multiple channels, but there remains a distinct lottery player profile and the customer-centric approach stays clear and focused on that. Connecting the dots, understanding the lottery player profile, and integrating a coherent brand across multiple channels that include traditional retail, VLT's, internet, and mobile will be key to attracting new customers and sustaining lottery revenues.
- Don Feeney
Research & Planning Director, Minnesota Lottery
- The Internet is not just a new "channel for



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D. Pollard



T. Rich



B. Roogow



M. Scheve Reardon



T. Shaheen

distribution.” The potential to increase incremental sales depends on bringing in new consumer groups. And that depends on rethinking fundamental game design concepts. New research shows that must be done, and reveals some important insights into how we can reshape traditional lottery to appeal to the new i-gaming play style.

3:15 pm

Coffee Break

- Paul Sternburg
Executive Director of the Massachusetts Lottery
How do you increase sales when your market penetration is highest in the country (as measured in per cap’ sales), you already have a retailer per cap’ ratio of better than 1/1000, and your ad’ budget gets cut to practically nothing? The MASS Lottery experience.
- Jenny Canfield
Director for Operations, Minnesota Lottery
- Stephen Martino
Executive Director, Maryland Lottery

- Buddy Roogow
Executive Director, D.C. Lottery
iGaming – Lessons Learned: After becoming the first jurisdiction in the United States to legalize intrastate online gambling within its borders, the District of Columbia’s (DC) City Council repealed the 2010 Lottery Modernization Act on February 7, 2012. This Act would have allowed the D.C. Lottery to introduce iGaming in the Nation’s Capital. Find out the lessons learned on the D.C. Lottery’s journey to develop and introduce an iGaming program, what accomplishments were made and what recommendations the D.C. Lottery has to share with other state lotteries considering implementing iGaming.
- Paul Jason
CEO, Public Gaming Research Institute (PGRI)
Advocating for the rights of lottery players to play their favorite lottery games and buy their lottery tickets on the internet: The launch of www.LotteryPlayersAlliance.com.

5:00 pm to 6:00 pm

Reception



P. Sternburg



C. Strutt



M. Veverka



P. Vlaemminck



R. Weil

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Scratched the Surface...





Charles McIntyre

Executive Director of the New Hampshire Lottery; Co-Chair of the NASPL Government Relations Committee

PGRI Introduction: Charles McIntyre's experience in this industry did not begin with his appointment to head the NH Lottery in June of 2010. Previously, he served as Assistant Executive Director and General Counsel at the Massachusetts Lottery. Before joining the Massachusetts Lottery in 2003, Director McIntyre was a senior prosecutor with the Norfolk District Attorney's office, specializing in drug enforcement, organized crime, and gambling. A member of the International Masters of Gaming Law, he has thankfully given a lot of attention to issues currently facing U.S. lotteries. He testified before Congress, is co-chair of the NASPL Government Relations Committee, and his ideas are informed by an extensive knowledge of the history of our industry.

It is interesting that so much of the coverage refers to the U.S. Department of Justice (DoJ) letter as being a change in direction or even reversing previous positions. The fact is that the DoJ position was never clarified and this letter actually just confirms what many thought has always been the intention of UIGEA, and the proper interpretation of precedent, previous DoJ statements, and things like the Wire Act. As outspoken as Director McIntyre is, though, he encourages a public posture that is informed but tempered with the confidence that when given the objective facts of a situation (like who should regulate i-gaming), lawmakers will make the right decisions and protect the interests of their constituents.

Paul Jason, Public Gaming: *Lotteries have transmitted data across state lines for decades, practically from the inception of the modern lottery in the early 1970's. (With the start and end points both being in-state.) The notion that the Wire Act should be interpreted to mean that data can't spend a nano-second in the virtual world en route to its final destination within the same jurisdiction has always seemed a ridiculous notion.*

Charles McIntyre: The U.S. DoJ letter does serve a vital purpose by removing any ambiguity. Now, state attorneys general can assert to their legislatures and the governors' offices that they will not be sued by the U.S. DoJ for implementing an intra-state i-gaming and internet distribution of lottery products, or any kind of i-gaming except for sports-betting.

Some state lotteries, including New Hampshire, had already been selling lottery products over the internet for years without being sued by the U.S. DoJ. How does this letter change things?

C. McIntyre: Very much, actually. It is true that some states like NH have already been selling subscriptions over the internet. Now, if the states want to, they can sell them in real-time just like it's done in a land-based store. Your question is apt in the sense that the only material difference between real-time and subscription sales is speed of delivery. There do not seem to be federal laws or anything within the wording of the Wire Act that makes that distinction in a way that would render internet sales legal or illegal based on speed of deliver. That just leads us back to the point that Bill Murray (Deputy Di-

rector and Legal Counsel, NY Lottery) has been trying to impress upon the U.S. DoJ for years which finally seems to have gotten through. The DoJ letter is important because it acknowledges this fact and confirms that the law should be interpreted as applying only to sports-betting as long as the point of transmission and receipt are both within the state borders. Without this clarification, states did not know with certainty that the highest law enforcement agency in the land might not decide to sue them. Even if we thought that we would be protected by the 10th Amendment, the fact remained that nobody wanted to be sued by the DoJ. It's not likely that the DoJ would prosecute a state for things that the states have been doing for years, like selling lottery tickets over the internet within their own state, or for anything else in regards to

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the electronic transmission of data that begins and ends within the state. But even the possibility of that happening would cause lottery directors to be reluctant to risk it; and state attorney general's to be reluctant to green-light it.

Still, I find it peculiar that so much of the press refers to this U.S. DoJ statement as a "reversal" of its previous position, when in fact there was no clear statement of what the previous position was.

C. McIntyre: The gambling industry did want to cast it as a reversal of sorts because they were, and still are, trying to convince lawmakers that this statement is not consistent with previous positions. This DoJ position does not say anything that is inconsistent with precedent. It just clarifies things so that the ambiguity and the uncertainty are removed. I believe the casino interests were, and still are, trying to convince Congress that legislative action was needed because the laws were confusing and ambiguous. The likelihood of Congressional action is hopefully diminished now that the DoJ position is made so clear. Moreover, a very forceful letter from the National Council of State Legislators was just released that implored the U.S. Congress to not change the meaning and impact of the U.S. DoJ position on these issues.

It would seem that removal of ambiguity would open the door not just for real-time internet sales of existing lottery products, but also to more innovation in the fundamental game concepts and designs.

C. McIntyre: Sure. It is huge for us to know that we have the stamp of approval from the highest agency of law enforcement in the U.S. to sell products over the internet in real-time. The first step might be to think of the internet as just another channel to promote and sell existing products. But the next stage would be to think about how we can evolve the games to make even better use of the medium. The internet enables consumer groups with common interests to be massively networked on demand. Facebook gave rise to social games like Farmville.

How do you determine what whether a game change is significant enough to require new legislation or not?

C. McIntyre: The internet is a channel for distribution. In that sense, it does

not of necessity require any change in the game. It is also a medium for communication and in that sense can become a part of the product. Paper is a medium that is used to print scratch-offs and the properties of that medium, paper, become integral to the product itself. Likewise, the internet is a medium rich with unique properties that can become part of the product. The audio and visual capabilities alone open up a whole new world of content development possibilities. Likewise the ability to form new social groups and connect instantly with thousands would seem to have potential game design implications. This might create some regulatory questions for state legislators, and we would seek their input – as well as that of the Governor – before moving forward. At what point does the integration of new attributes alter the essential nature of the game such that new enabling legislation is required? On one end of the spectrum, enabling the consumer to simply purchase a lotto ticket on the internet in real time certainly does not seem to alter the essential nature of the game itself. I would not think that would typically require any kind of legislative action. On the other end of the spectrum would be games that might combine elements of poker and lotto and turn it into an extended-game format.

Historically, this business has relied on innovation to spur growth. I would think that is true for all industries. There were sweepstakes games in the sixties, then scratch tickets in the 70s. Then, what we used to call online sales but now call terminal sales or draw games in the 80s. Multi-state games in the 90s. Beginning with Cross-sell and "More, Bigger, Better" Powerball, we're changing the landscape of multi-jurisdictional games and hope to continue to do so. And with the internet, a whole new world of possibilities is opening up.

Of course, I think all lottery directors keep their commissions and legislative oversight committees informed of all matters of substance. Even using the internet to distribute the existing product would be something that most or all of us would present to our oversight groups to make sure they are supportive.

But now it is strictly a state regulatory issue, not federal.

C. McIntyre: Gambling and games of chance have always been regulated at the

state level. The advocates for federalizing internet poker are conflating the adaptation of an existing game with the use of a distribution channel to create the appearance that we have something that falls outside of the traditional framework for regulating and taxing this industry. It's a ridiculous argument that is conjured up to create a way for out-of-state interests to have access to state markets without complying with state regulatory and taxation requirements. The ability to play poker on the internet is no more a national right than is playing slot machines. Just as with slot machines and casinos, it may or may not be an activity that a state chooses to legalize and regulate. But the notion that people who want to play poker on the internet are somehow entitled to that as a national right is as silly as the notion that people who want to play slot machines have the right to do so in their own hometown.

I wonder how Nevada would feel if the framework for regulating and taxing the casino industry were federalized?

C. McIntyre: Exactly. We have a tried and true system for regulating and taxing the gambling industry and it is all done at the state level, and that precedent dates back hundreds of years

One of their arguments is that poker is a game that requires scale, a population base that most states do not have to support. So for internet poker to be feasible at all, it has to be offered on a multi-state basis.

C. McIntyre: First, refer back to our last answer. The ability to play poker on the internet is not some kind of national right any more than playing slot machines. There are people who probably would like to have a casino with slot machines closer to their home. Does that mean the federal government should take over the regulation and taxation of the casino gambling industry in order to make that happen? Like you just said, try asking the casino interests what they would think about that idea. Second, the whole argument that i-poker needs to be federalized because you need scale, a bigger player base that depends on a bigger population, is a silly red herring. States can work together as they choose to create a multi-state platform that provides that. There is no legal or logical reason why states could not potentially collaborate on internet games

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Lorne Weil

Chief Executive Officer,
Scientific Games Corporation

PGRI Introduction: The gaming industry, consumer markets, and macro-economic climate have moved out of a period of slow-growth conservatism and into a period of exciting change and high expectations. The industry needs strong leadership to drive innovation and increase capital investment. Lorne Weil served as CEO of Scientific Games from 1992 to 2008, during which time revenues grew from just under \$50 million to over \$1 billion. He returned to the CEO role in late 2010 to guide the company and its customers toward achieving full growth potential. Mr. Weil talks about the important trends that will drive that growth and how Scientific Games is positioning its business units to create new and exciting player experiences that truly optimize the revenue growth of their lottery customers.

Paul Jason, Public Gaming: *How important is the U.S. DOJ memorandum which empowers states to regulate i-gaming and i-distribution of lottery products?*

Lorne Weil: Scientific Games is a big believer that regulation of gaming is a state-level function. In 2011, state-regulated lotteries in the U.S. generated \$18.4 billion in funding for good causes. Future revenue will be seriously eroded if legal internet gaming is not regulated and taxed by the states. State lottery contributions are in jeopardy if lotteries are forced to compete with federal internet gaming providers, but are prohibited from offering their own games for sale on the internet. After talking to our lottery customers, we anticipate that some will be first to move to sell new games through new channels to their players. Some will offer an expanded internet experience that engages players with their current games. Others will wait and see what emerges. Scientific Games most definitely sees the internet as the next significant growth channel for the lottery industry. It engages players in an experiential relationship with the lottery and its games. As you know, Paul, because we've been discussing this for the last few years, we call our solution Sciplay.

The internet has been transformational for other industries. I evangelize its potential to be the same for our industry. How

would you assess the potential of the internet to contribute to Lotteries' business?

L. Weil: With 74% of the U.S. population currently having access to or using the internet, a new internet-based sales channel could definitely lead to expanded playership for lottery products by introducing new players to the games and by offering current players new interactive ways to play the lottery from their home computers, laptops, tablets and mobile devices. Certainly, internet sales require examination by each individual state. But any time there is a new channel to market and promote lottery games to players, it's a good opportunity to increase sales performance and maximize returns to beneficiary programs. The internet should not be viewed a separate sales channel in isolation, but as one component of a lottery's entire sales and marketing mix for all games – both draw games and instant games. Lotteries must find ways to use the internet to increase, not cannibalize, overall sales. A lottery's internet platform must be customized so that it works in tandem with the existing brick and mortar retail network. Integration with traditional products and retail networks must be a crucial component of a lottery's internet channel strategy.

As for potential, since our PropertiesPlus™ program launched with the Tennessee Lottery in February this year, the results have been phenomenal. This program is clear indication

of the value that can be realized when traditional products are integrated with an internet strategy. The Lottery's board of directors and Rebecca Hargrove, the Lottery's President & CEO, are incredibly engaged and excited about this new lottery initiative.

The Tennessee Lottery just had a phenomenal, record month in February. Total sales were up 16% over last February with the launch of our PropertiesPlus™ program for internet-based player engagement and rewards. This is solid proof that engaging players in a new way using the internet can build playership and increase sales.

How is Scientific Games positioning itself to help customers/i.e. lottery operators, optimize performance going forward, and to integrate the internet into their channel mix for optimal impact, etc?

L. Weil: It's not how we are positioning, but how we have already positioned ourselves over the last decade or so, because we have been anticipating that this day would come. Since 2001, Scientific Games has developed a strong leadership position helping our lottery customers outside the U.S. with internet sales, then taken this knowledge into the U.S. and created meaningful internet programs for our lotteries here. We have developed a portfolio of assets and internal company expertise

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THE DEPARTMENT OF JUSTICE'S REINTERPRETATION OF THE WIRE ACT DOES NOT CREATE AN URGENT NEED FOR FEDERAL LEGISLATION GOVERNING INTERNET GAMBLING

by Mark N. G. Hichar,
Partner, Hinckley, Allen and Snyder, LLP and
Chair of its Gaming Law Practice Group
MHichar@haslaw.com

In his February 1, 2012 editorial entitled "Federal Online Gambling Legislation Needed Now More Than Ever," Frank J. Fahrenkopf, Jr., President and CEO of the American Gaming Association, argued that the December 23, 2011 opinion by the Department of Justice "illustrates the urgent need for federal legislation" governing Internet gambling (more specifically, poker) within the United States.² As readers of Public Gaming know, the Department of Justice's December 23, 2011 opinion (the "DoJ Opinion") changed its interpretation of the Wire Act of 1961 (18 U.S.C. §1084), declaring that the Act's prohibitions applied to gambling-related communications only when the gambling at issue related to a sporting event or contest. As a result of the new DoJ interpretation, the primary barrier to Internet gambling within the United States was lifted, as almost all other federal prohibitions related to Internet gambling require an underlying violation of a state law or a different federal law.

Thus, the regulation of online gambling has for the moment been left to the various states in which it may (or may not) be permitted. This is consistent with long-standing past practice, as it has historically been the prerogative of the states to determine and regulate the types of gambling permitted within their boundaries. It remains to be seen, however, whether states will seize the moment and take action in response to this authority being returned to them, or whether, as the American Gaming Association urges, new federal legislation will be enacted supplanting states' historic prerogative to regulate gambling.

Rather than an urgent call for federal legislation, the DoJ Opinion presents an opportunity for states, and, in particular, state lotteries, to demonstrate what they have been doing so well for so long – namely, operate networked, real-time gaming systems in a secure and error-free environment, in which play by underage and out-of-state persons is effectively precluded.

Mr. Fahrenkopf and the AGA "believe passing federal guidelines would keep minors from gaming online, prevent fraud and money laundering, address problem gambling and ensure players aren't being cheated." These are important goals, to be sure, but this statement suggests that new federal gambling legislation is needed to achieve them. As set forth below, such a suggestion is false. Existing federal laws, together with changes in state laws to accommodate Internet wagering (in those states that choose to authorize it), could fulfill each of those functions. In short, federal legislation is not needed to govern Internet wagering in the United States, and arguments to the contrary should not be accepted uncritically.

UNDERAGE GAMING

In states choosing to permit Internet gambling, state gambling laws and regulations could be supplemented and/or modified to require Internet gambling operators to use state-of-the-art age verification methods. Online gambling operators in Europe use a variety of sophisticated age-verification techniques in order to prevent underage gaming. These involve a combination of electronic verification procedures and the confirmation of age via reliable documentation available in third-party databases. When opening an account, customers must provide certain personal information (e.g., name, address, date of birth, email address, phone number

Mark Hichar is a Partner with Hinckley, Allen and Snyder, LLP and is the Chair of its Gaming Law Practice Group. Mark works out of the firm's offices in Providence and Boston. mhichar@haslaw.com

¹ See: <http://www.americangaming.org/newsroom/op-eds/federal-online-gambling-legislation-needed-now-more-than-ever>, last accessed March 2, 2012.

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and credit card or bank details) and agree to the site terms and conditions. The site operator then confirms that the details provided actually relate to the customer, and it does this by comparing the information provided with documentation in third-party databases. After the account is opened, upon each use of the site for gambling, unique player identification details must be entered in order to establish that the customer is who he claims to be.

The above-described methods are proven and established, and could be mandated by states by law or regulation in order to prevent online gambling by underage persons. A federal law to mandate this is not necessary.

PREVENTING FRAUD AND MONEY LAUNDERING

In addition, new federal laws are not needed to prevent fraud or money laundering. While existing anti-fraud statutes, both federal and state, are not specific to gambling, they need not be. Existing federal anti-fraud statutes have been brought to bear by law enforcement authorities against Internet gambling operators alleged to have been operating in the United States unlawfully. Indeed, last year's "Black Friday" criminal indictments of principals involved with Poker Stars, Full Tilt Poker and Absolute Poker/Ultimate Bet - indictments that did not include Wire Act counts and thus were unaffected by the DoJ Opinion - included counts alleging conspiracy to commit wire fraud and bank fraud under federal statutes at 18 U.S.C. § 1343 (wire fraud) and 18 U.S.C. § 1344 (bank fraud), respectively. Although neither of these statutes is specific to gambling, they are more than adequate for use against dishonest Internet gambling operators conducting busi-

ness in the United States. Proving wire fraud under the federal statute requires showing that the defendant devised or intended to devise a scheme to defraud or to obtain money or property by false pretenses (i.e., lying), and transmitted an interstate communication by wire, radio or television in furtherance of the scheme. The bank fraud statute is similarly broad. In general, it requires a showing that the defendant purposefully executed or attempted to execute a scheme to defraud a financial institution, or to obtain money, funds, credit or other property from a financial institution by means of false pretenses.

Money laundering was also alleged in the "Black Friday" indictments, and again, existing federal statutes not specific to gambling appear sufficient to the task. Generally, the federal money laundering statute (18 U.S.C. § 1956) is violated when a person, knowing that certain money or property is the result of some felonious activity, conducts or attempts to conduct a financial transaction with the intent to promote a specified unlawful activity, to avoid paying taxes or to conceal the nature, location, source or ownership of the proceeds of specified unlawful activity. Accordingly, if money or property is known to be the result of activity constituting a felony under federal or state (or even foreign) law, the money laundering statute may be brought to bear. A new federal law in this regard is not needed. Existing laws provide law enforcement with adequate means to prosecute online gambling operators who are engaged in or who facilitate money laundering. (Indeed, a money laundering count is among the two counts stated in the recent indictment of

...continued on page 49

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Konstantinos Farris

General Technical Director of Systems,
INTRALOT SA

PGRI Introduction: Cloud computing, in which computing power resides in a location different from the points of application and is delivered over the internet, has emerged as one of the Big Themes of the industry. Being a sales guy, I want to understand precisely how technological advances like this translate directly into a better consumer experience. So I asked INTRALOT if I could interview their top technical executive to help me connect the dots. Thankfully, Mr. Farris also has 23 years of experience in the gaming industry, starting with INTRALOT at its inception in 1992. He articulates the way that technology is driven by consumer trends, but also how technology is driving some of those trends, and why the gaming and lottery industry needs to catch up with the technologically advanced consumer.

Paul Jason, Public Gaming: *First, let's get a thumbnail description of cloud computing and how it applies to the gaming and lottery business.*

Konstantinos Farris: Cloud-based solutions introduce a new operational model for essentially outsourcing IT and computing; moving it off-site to a service provider equipped with the most advanced technology and service capabilities, and delivered over secured internet channels. The generic concept of cloud computing is that computing power is acquired as a service, paid for as you go and on an as-needed basis, as opposed to acquiring the expensive hardware, platform, and communications network yourself.

In the gaming and lottery business, INTRALOT as an expert of the industry has developed the provision of games and gaming services 'as a service' operational model over cloud-based technology. Based on this, the investment in IT infrastructure, along with the cost of maintenance and updating that infrastructure, is all borne by the service provider. In today's demanding gaming market where innovation, responsiveness and cost-effectiveness are paramount, the potential of 'games as a service' over cloud technology is great since it empowers operators to respond more efficiently and effectively to changing market needs across all channels, like land-based, online and mobile.

NEFOS Intralot Cloud is a robust cloud solution that provides the operator with the scalability, flexibility and resource optimization

it needs to effectively meet demanding business goals, along with improved time-to-market efficiency and reduced costs. It provides a comprehensive portfolio of INTRALOT cutting-edge B2B solutions, including innovative games and gaming services such as exciting monitor games, risk management, live feeds for sports betting, 'eyes-on' fraud prevention and detection system and many others, as well as best-of-breed third party business supporting solutions. All cloud services can be scaled on-demand and utilized for the particular environment that best meets the operator's specific requirements and can also be provisioned as packaged or as custom applications. By undertaking the provision of the cloud service, INTRALOT enables the operator to focus on its core business of implementing the consumer-facing strategies that add real value to the business.

How does a technology-driven company like INTRALOT ensure that the technology adds value to the consumer experience, or at least stays connected to the operators' mission to optimize the player experience?

K. Farris: There are three partners in this equation. The operator has the consumer-facing business whose success is measured by its ability to keep up with the consumer trends and deliver a great player experience. The operator needs to anticipate the direction of those trends well in advance to be properly positioned to deliver the products and services that meet the current needs of the consumer.

Second, there are the commercial partners like INTRALOT who need to have an even longer horizon so as to develop the flexible technological tools and capabilities that enable the operator to serve their customers. And third, there is the ultimate driver of all business which, as you point out, is the consumer. Our job is to work hand-in-hand with the operator to evolve the technologies that deliver and support the products and the delivery systems that will engage the consumer.

It is vital that a technology-driven company like INTRALOT stay connected to consumer-trends and the operator alike. We avail ourselves of all resources to do that, including intense analysis of the technological advances being made by consumer products companies in other industries. For instance, the consumer is quite familiar with the cloud computing experience. Netflix and others are live-streaming videos, Apple has made entertainment content instantly available for download, and Amazon provides a whole range of B2B cloud computing services as well as its B2C service for books and other content. In this sense, the consumer is more technologically evolved than the gaming industry. Cloud computing is actually a consumer trend that businesses need to adopt for the same reason that consumers have already adopted it. In the case of cloud computing, the consumer is actually the early adopter and business needs to be a fast-follower in order to meet the demand for instant deployment.

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LOTTERY EXPO: Unleashing the Power of Brand Lottery Throughout the Western Hemisphere

Lottery Expo 2012 will be held at the Loews Miami Beach Hotel, October 24, 25 and 26. Wednesday will have a focus on the North American lottery industry. Friday will focus on the Latin American lottery industry. And Thursday will bring us all together for a convention of industry leaders from all across the entire Western Hemisphere, the New World of Lottery. This ambitious agenda begins with a Reception on the evening of Tuesday October 23 at 5:00 pm; conference sessions will be held all day on Wednesday, Thursday, and Friday.

One of our purposes is to bring people together and PGRI receptions are a great place to start -- So there will also be Receptions following all three conference days. Conference program and speakers will be posted as it becomes available. We promise to deliver a uniquely rewarding conference experience. Registration is free for all Lottery personnel. So please join us and your colleagues from all around the world for this special event.

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Barak Matalon

Founder and Director, NeoGames

PGRI Introduction: Key to understanding the mass-market appeal of lottery, and to capitalize on that appeal, is to understand the role of soft-games and the application of player-centric product development and marketing strategies. Commercial partners have built an increasingly sophisticated portfolio of tools to help the lottery operator analyze player preferences, segment the market, and build products customized to appeal to the increasing variety of play-styles. Marrying state-of-the-art technology with a dedicated player-centric strategy is the current challenge. As lotteries move onto the internet, customer relationship management, data-mining and converting that into better products and promotional strategies, and understanding the unique characteristics and values that define the lottery market are what will drive consumer engagement and sales. As global leaders of interactive scratch cards and lottery games, NeoGames brings a uniquely informed perspective to these issues.

Paul Jason, Public Gaming: *We just saw two presentations here at the ICE London show that posed two different views. One posited that multi-channel distribution will drive a convergence of consumer markets and that lottery should evolve to appeal to a wider variety of play styles. The other stressed the core values and existent mass-market appeal of lottery and that we really need to recognize the fundamental attributes of our lottery player and focus on consolidating our position within those values.*

Barack Matalon: I firmly agree with the latter. It's important to start with the player, to understand the player. There is much discussion about the convergence of player profiles, i.e. that multiple channels will deliver all games to all consumers all the time and this will result in a convergence of play styles. And of course there may be some convergence. I feel, though, that the more important thing for lottery to understand is how their market is in fact not converging with other, more hardcore gaming domains. Lottery appeals to a mass market that casino games do not, and the lottery players do not perceive themselves as gamblers. These are crucial differences. And the fact that there are differences serves the interests of the lottery operator. It's the lottery market that is the envy of the entire industry. We want to appreciate that and work to preserve

those differences as opposed to promoting a convergence. With a little creativity, lottery products can be designed to appeal to all age groups, both genders, and lots of different play-styles. We just need to have a keen understanding of what our core values are, what is fundamental to the lottery player profile. Lottery is rich with potential to innovate, but we do want to stay clear on what appeals to our customers. That's why NeoGames wants to help lottery consolidate and extend its position with the traditional player, not try to reshape lottery to appeal to casino style players or player profiles not consistent with our fundamental values.

To what extent is the internet a channel of distribution for existing products versus a medium that redefines the playing experience and so requires fundamental changes in game design?

B. Matalon: We break it all down into three areas. The first priority is to understand the player. A player-centric strategy focuses clearly on the play styles and preferences of the consumer. For all the talk about convergence, the profile of the lottery player remains distinctly different from other player profiles, in particular the casino player. Second is the communication media that connects you to your customer. There are the traditional mass-market media like televi-

sion, newspaper, radio, billboards. And there is new media which is all about digital. That includes everything internet and mobile, and the social network media like Facebook. Third is actual distribution, the POS where the customer is directly engaged and transactions are executed, which now includes the internet and mobile world as well as the land-based retailers. NeoGames' mission is to provide a full platform solution to integrate those three elements into an effective player-centric strategy for the operator.

Let's start with the player. Could you help me make more sense of how multiple channels will drive convergence and, more to your point, how it won't?

B. Matalon: The hope and dream is a key design element for all lottery products. We need to appreciate that our key value proposition is more compelling than ever. Lottery appeals to a mass market not just because of convenience. It appeals because most people value the hope and dream more than they like to gamble. The lottery operators and their commercial partners want to embrace the hope and dream player and not feel like we should try to become something we are not. The outcome-focused gambler is not our market. If you ask any of the lotteries that already launched in parallel to their Lottery and Instant offer-

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ing also a Poker offering, how much convergence do they see between their lottery interactive players and their poker interactive players, they will admit they see very low, even close to zero convergence levels, and we should not allow our focus to be distracted by trying to appeal to them. We do need to reinvent our products to appeal to up and coming consumers in new and exciting ways. But we want to stay true to the fundamental concept of lottery which has that mass-appeal. That hope and dream appeal can be augmented with extended-play and entertainment-enhanced attributes, but NeoGames' player-centric vision keeps us true to the fundamental values of lottery.

However, we can subdivide our lottery market in many ways. For instance, if you look at the instant and scratch-card games, they are really not so much about "life-changing" as they are about changing your day. The rewards are smaller, more frequent, and revealed in real-time. This provides a powerful basis for appealing to today's gamers. The combination of hope and dream and entertainment of Instant Scratch-offs provide a basis for new game concepts that can appeal to new up-and-coming consumer groups, and to new-age online gamers. At the same time, Instant Scratchers have mass appeal, with a basic game design that enables us to integrate a change-your-day state of mind with a big dose of entertainment. NeoGames' product strategy is to really exploit this potential to combine entertainment with the hope and dream of having a great day.

Players do like to win, of course. So it's not as if there is no outcome-focus on the part of lottery players. It's just that the calculus that motivates the player is based more on enjoying life and its recreational activities than it is on winning money.

Is lottery able to integrate some of the attributes of massively multiplayer games like World of Warcraft and social Zynga-type games?

B. Matalon: I don't compare lottery or casino games to Farmville or World of Warcraft. They are completely different entertainment and social gaming spaces. But we are observing that traditional casino and poker game operators are attempting to move into and establish new business models for that social gaming space. So I would think that lottery products will likely evolve to appeal to the social and multi-player

gaming space. Of course, lottery should use all media and especially social media to communicate with their players, and to create forums for players to communicate with each other. And I do think it is the case that the traditional products could evolve with minor adjustments to fit more directly into the Facebook and social gaming world.

These are attractive concepts for the lottery operator who is reluctant to impose radical change on this multi-billion dollar mass-market franchise. Lottery growth may have slowed in recent years, but it's actually still growing faster than the broader gaming and gambling sector, and faster than the general economy for that matter. It sounds like your message is that radical change is neither necessary or desirable. The player really just wants game design adjustments to leverage the entertainment value of new media like internet and mobile.

B. Matalon: First of all, I don't completely agree that lottery directors don't want to have radical changes. We met a lot of the lottery leaders in both in the U.S. and around the world. They are very smart people who understand that change is necessary, that the traditional products will not continue forever to appeal to a consumer that is constantly being exposed to exciting new game concepts. These leaders are looking for change to make their products just as exciting as others in the sector. For some kinds of changes, modernization of the regulatory framework may be needed. For others, approval may be sought from the lottery commission to use a new channel like internet and mobile. And for others, they look at internet and mobile as being a new channel of distribution that already complies with their enabling legislation. The thing is, it may not be radical change, but effective integration of the internet and mobile into lottery operations does in fact drive radically different results. Incremental change in key areas can increase growth rates from low single digits to high single digits and from there to double digit growth. And that's huge. Look at Veikkaus in Finland and Camelot in the UK for evidence of that. Their i-lottery and i-gaming revenues have grown in double digits year after year. More interesting, though, is the growth of their land-based retailers has also grown at a rate that is faster than the industry average. It may not be radical change, but the impact on consumer engagement and sales

can be dramatic nonetheless.

Camelot is the second biggest player in the internet soft-gaming market in the whole UK. That is remarkable when you recognize how competitive the UK market is. The opportunity to take soft-gaming to the internet is huge, and Camelot, Veikkaus, the Canadian lotteries, and many others are showing us that Lottery is perfectly suited to do it as well or better than anyone. And the sales potential of the soft-gaming market is much greater than other categories because it's a mass market consumer category.

Could you clarify what exactly is meant by "soft-gaming?"

B. Matalon: Let's go back to the player. There is casino gambling which, as Nigel Beaney of Camelot explained in the presentation we just saw, the casino gambling model is really not a mass-market model. Their business is all about focusing on the big-spending players. Whereas Lottery really focuses on expanding the player base, appealing to the largest number of consumers, and creating a larger number of small transactions. Ours is the mass-market. Soft-games are those that appeal less to the gambler and more to the mass-market consumer. Lottery is soft-gaming because it's less intimidating than, say, poker, it's lower turnover than slots, appeals to a different buyer motivation than either, and is about small transactions that augment an entertainment experience as opposed to the outcome-focused transactions of the casino gambler.

The term soft gaming refers to the language of this space. Instead of the loud, brassy, aggressive language of casinos offering higher percentage payouts and introductory sign-up bonus plays and such, the language of lottery is softer, gentler, speaking more about life and change and hopes and dreams more than the prospect of winning money. It's in that sense that the whole language, the communication with the player, is much softer in lottery, and we want to preserve that sensibility to appeal to our player profile on the internet and mobile as well.

Is there an overlap between these two play-styles, and is the multi-channel approach of gaming operators and lotteries alike beginning to drive an expansion of that overlap?

B. Matalon: There is an overlap but I feel that the overlap is small. We both heard a presentation, not the Camelot executive but a commercial i-gaming executive, a short

while ago, Paul, in which the speaker talked about the need for Lottery to evolve its products and promotions to appeal more to this outcome-focused player, the gambler. That's not right. For one thing, the convergence of these two player profiles will not help lottery. It will hurt lottery and help the casino operator market. The reason for that is that the audience of big spenders that support casinos is actually very small. The audience that supports lottery is very large. The casino operators need to change their products to appeal to a broader player profile. Lotteries already have the mass-market, so they need the casino player market much less than the casino operators need the lottery market. Whatever overlap is happening is being driven by the casino operators. Lottery should work not to appeal to casino players, but to reinforce the appeal they have for their traditional consumer markets. Forget about the gambler, or even the space of hard-core competitive games like World of Warcraft. Lotteries should consolidate their strength in the mass-market. Focus on our traditional values of fun, recreation, hope, and dream.

That is really what NeoGames is about – helping lotteries sell billions of dollars in scratch cards a year by creating game concepts that keep the player entertained and coming back for more.

Isn't it the case that the average age of the lottery player is increasing, and that the game preference of young adults is less likely than previous generations to grow into the lottery as they hit their mid 30s?

B. Matalon: That's a key question that is on everyone's mind. How can we lower the average age of our player base? The answer from my perspective seems to be fairly obvious. We need to look at each of the three areas that drive our businesses. First is connecting with the consumer. The consumer gets information of every variety from the internet and mobile. So lottery needs to be there in force. And frankly, that is now true for all age groups, but of course it is especially true for the younger audience. Smart phones and iPads will continue to be huge. Second is distribution. Designing the product to be transacted across all channels of distribution. Third is the creating a product that appeals to younger people. Make it more interactive with extended-play and bonus-play options. Instant scratch-offs lend themselves to this kind of product innovation and that is what NeoGames focuses on.

But these three areas, communication, distribution, and product design are what drive consumer behavior and sales. There is huge potential for innovation and modernization that will make lottery more accessible and appealing to younger audiences. These are not even difficult things that require regulatory change. And this is how we lower the average age of our player base.

I would add, though, that for all of our focus on attracting the "younger demographic," the 40 and up age group is the sweet spot for lottery revenues in the internet, and that is not a bad thing since they have the higher discretionary income to spend on lottery. That is not to say that the young generation is not active, in fact the group of 20-29 is close to 25% of the subscriber base we see for our products, it is to say that the average spend per player is higher. The solution is to recognize that the internet enables us to segment and target differing play-styles in ways that the mass-market media and distribution channels are not as well suited for. The traditional approach tends to make products for mass-appeal that do not target sub-markets in ways that could bring in new consumer groups and appeal to younger play-styles. NeoGames has segmented the market into about thirty different groups profiled by gender, age, player behavior, game preferences, play-styles, transaction size and response to different prize and bonus structures, varying degrees of response to outcome versus hope and dream attributes and promotions, etc. This is really nothing that the most sophisticated consumer products companies haven't been doing for years. We just need to apply this level of analysis, segmentation, and target marketing to lottery. The internet is key to doing that. Land-based retailers will continue to be the most vital POS, but they do not yield the kind of customer feedback that the interactive quality of the internet enables.

An interesting change we have seen in the last year is mobile. When we launch our smartphone platform the 20-29 age group are the biggest group with the highest player value. We all of a sudden noticed that the player spend, how surprising, is in the younger age groups.

It's that interactive quality of the internet, the ability to capture, measure, and analyze player behavior that enables product development to be customized for ever more focused consumer groups.

B. Matalon: Exactly. Product development must be driven by the player, but in order to do that, you need much more granular detail about what really motivates the consumer. We developed a system which we call the NeoSphere which combines every aspect from the player management point of view, enabling the lottery to convert, in real-time, detailed information about player behavior into products that are more and more personalized to appeal to more tightly defined consumer groups.

Sounds complicated.

B. Matalon: It's not! One of our core values is to keep it simple. But the business of processing, categorizing and analyzing over two billion tickets a year does require a sophisticated IT infrastructure. The ROI is tremendous, the cost is borne by NeoGames, and the benefit to the operator is increased player engagement and sales.

Increasing sales by even a small percentage of a multi-billion dollar revenue stream is huge. Data-mining is a start. But the ability to convert that data into real-world results would seem to be the key.

B. Matalon: You're 100% right. The goal is to isolate the elements that go into a successful product and target increasingly focused consumer segments. Fine-tuning product development like that is the key to truly optimizing the core business in ways that do not jeopardize the brand and value to any one segment. In particular, it enables us to integrate younger trending concepts while maintaining the attributes that appeal to the over 40 player that constitutes the lion's share of lottery revenues. Of course, many of the new concepts that appeal to younger players are also reinvigorating interest from the over 40 crowd as well. It's not just about the games, or the distribution channel. It is about a fully managed solution to integrate player profiling with product development. The potential for that to increase sales is huge and that is what NeoGames is focused on. NeoSphere is our back-office platform that supports and integrates this kind of customer relationship management, market analysis, and product development approach.

A problem with land-based retail is that there does not seem to be good mechanisms for capturing player data. What products

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Is Interactive Gaming Key to the Future of Lotteries?

Lorien Pilling, Research Director,
Global Betting and Gaming Consultants

State lotteries around the world are failing to take advantage of the opportunities afforded by Internet and mobile technology to boost sales in mature markets. In an increasingly competitive global gambling market this failure to use new technology – either through reticence or regulatory constraint – is costing lotteries dearly.

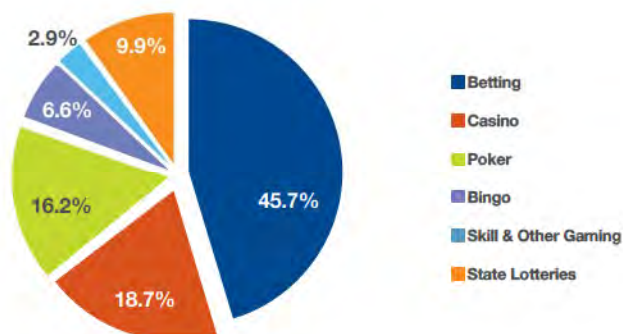
Share of Global Gambling Revenues (%) by Category 2011p



Source: GBGC Global Gambling Report

Share of Interactive Gambling GGY (%) by Category

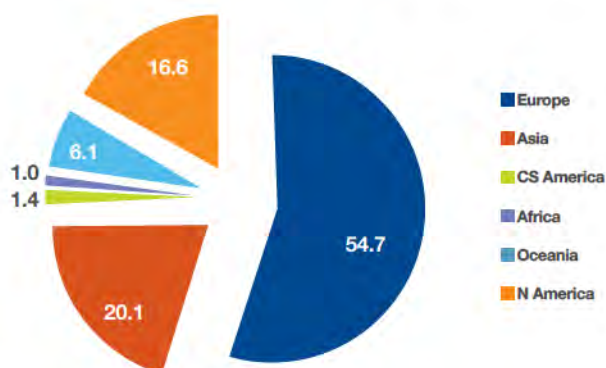
Interactive Gambling Revenues
Global Interactive Gambling Revenues
by Category (%) 2011



Source: GBGC Interactive Gambling Report

Share of Interactive Lottery GGY (%) by Region

Interactive Gambling Revenues
Global Interactive Lottery GGY by Region (%) 2011p



Source: GBGC Interactive Gambling Report

Globally, lotteries accounts for 28% of gambling revenues (gross gaming yield). This share makes lotteries the leading gambling category. But in the interactive sector (Internet and mobile), state lotteries account for less than 10% of revenues (2011p: 9.9%).

Europe's state lotteries lead the way in developing online and mobile sales channels for their players. Eu-

rope accounts for 35% of global lottery revenue but has a greater than 50% share of the global interactive lottery GGY at present, so is punching above its weight. Lottery operators like Camelot in the UK and Austrian Lotteries in Austria have really embraced Interactive sales channels. Camelot, for example, generated around 15% of sales from interactive channels in 2010 and had some 3.5 million active players.

Lottery draw games are ideally suited to both online and mobile play. Lottery software developers like Betware have created some innovative and user-friendly applications to allow lottery purchases both online and mobile device. But many state lotteries have, so far, failed to capitalise fully on interactive sales channels.

Up until this point there have been a number of reasons as to why state lotteries have not embraced new technology to expand their audience and increase sale:

- Regulatory constraints
- Fear of cannibalisation of existing retail sales
- Concerns about responsible gambling

But in the current climate where lotteries are being asked to fund ever more good causes and public pro-

grammes; where expansion in other sectors of the gambling industry is causing ever more competition; and where consumers are increasingly making purchases of all values online or via mobile, many of the arguments against interactive lottery sales fall away.

The technology is already in place to facilitate interactive sales as well as monitor players' age, location, and spending. With the recent legal opinion on the Wire Act in the US, GBGC would expect the online lottery landscape to change dramatically in the coming years.

GBGC will be presenting at the Public Gaming Smart Tech Conference in New York in March 2012 discussing the topic of lotteries and the Internet. ♦

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are appealing to which demographic profile and why and such. The internet captures all that data automatically with every transaction. It is kind of a mind boggling thought.

B. Matalon: That's true but the internet also does allow for a much more interactive relationship, promoting customer feedback and also conducting surveys that yield valuable insights to complement the aggregate transaction-driven data. Our support team interacts with players constantly and is dedicated to turning every contact into insight that informs product development and operations. And we in fact survey the players constantly, generating thousands of responses a month. We use any and all tools and consumer interaction to learn more about the consumer and how to deliver a better and better playing experience.

An obstacle for U.S. lotteries expansion of internet initiatives appears to be coming

from the National Association of Convenience Stores (NACS). I'm working hard to defuse the misconception that i-lottery cannibalizes land-based sales. The channels are mutually supportive and retail will benefit by lotteries expansion into new channels that bring in new consumer groups and reinvigorate the core groups.

B. Matalon: We do need to appreciate their concerns. People do not like change and the retailers feel threatened. Retailers do benefit with increased store traffic and lottery sales, as you say, and we just need to explain to the operators and their channel partners why that is true. A cooperative and healthy relationship with retail is a vital component to the fully integrated approach that the both players and lottery operator want to achieve.

The companies that are most successful, like Camelot, Austria Lotteries, Veikkaus-

Finland, Norsk Tipping-Norway, all the Canadian provincial lotteries, have shown us how to implement that integrated solution, increasing sales at retail while implementing an effective i-lottery program.

B. Matalon: And in the U.S. too. Second-chance draws have proven to be very successful. The lotteries you mention have expanded into new i-lottery concepts, game designs, and promotions, and all the while evolve new and increasingly effective ways to integrate their retailer partners into the whole process. i-Lottery sales have increased by double digits but retail sales have gone up too. An effective application of the tried and true principles of these operators, along with continual innovation driven by genuinely player-centric methodologies, will result in a more engaged consumer and increased sales for both operator and retailer. Everyone wins. ♦



Sam Nickless

Managing Director,
Emerging Businesses & Strategy, Aristocrat

Paul Jason, Public Gaming: *Server-based gaming delivers advantages that benefit all operators regardless of venue and regulatory model. But it is especially important to the government gaming operators because of the higher regulatory standards and reporting requirements. How does server-based address those issues?*

Sam Nickless: Server-based gaming centralizes control of all the gaming machines. That yields at least three benefits, the first being security. It enables the operator and the regulator to implement effective controls and reporting to support monitoring, tax collection, and other aspects like responsible gaming standards. It gives both the operator and the regulator more security and control over the financial transactions, which is especially important in a distributed venue where you don't have the same level of on-site monitoring as in a big casino. In a server-based model, the gaming machines must be hooked to the network to operate. This means the proprietor of the establishment can't alter any of the functionality that is so critical to the integrity of the operation. The second benefit is better game management and optimization. The games are all controlled and deployed from the central server enabling better content to be brought to market more quickly and with lower costs. That enables the operator to quickly evolve the portfolio of games to replace the weaker performers with new games, bringing the most popular games to the players. And since storage capacity on a central server far exceeds what could be built into individual game cabinets, you have a huge portfolio of game content to choose from. Operators can also remotely update displays, adding features to the player interface. You can even deliver customized messaging and promotional campaigns from the central server. The third benefit is enhanced player management and analytical capabilities. Which games are played, length of play, which games they return to, all kinds of valuable data that are a direct reflection of player behavior and preferences captured by the

recording of the transactions themselves can be used to improve game content, customer service functions, promotional messaging, RG tools, and all manner of operations.

Norway, for instance, has a very highly regulated market, requiring player registration to play any of the games and even the lottery. Yet the operator, Norsk Tipping, has turned this into an advantage by developing a highly dynamic and connected relationship with the consumer. Their customer base is spread out from locations well north of the Arctic Circle down to Oslo and the southern tip of Norway. Yet they have this special relationship with the public and players that's driven by the attention it gives to ongoing communication. That is largely enabled by the advanced server-based technology installed for Norsk Tipping. Of course, great game content that is refreshed on a timely basis also helps. But along with that, Norsk Tipping is held to the highest standards of RG and transparency. What's particularly interesting is the way that compliance with these rigorous demands has not hurt the development of a strong business.

Aristocrat Lotteries supplies the most advanced IVT's (Interactive Video Terminals) to Norsk Tipping, where they use player cards and a cashless system. Does server-based also work in a cash-based transaction situation?

S. Nickless: Yes, either way. Cashless is more popular with the highly regulated markets, but server-based systems are flexible enough to handle cash or carded systems. Carded or account-based systems have the added advantage of giving the operator the player info it needs to evolve the games to keep up with changes in play styles and preferences; as well as implementing more effective RG tools and facilitating a better dialogue with the player. The player learns to appreciate that and see it as a benefit. That's the way it has evolved in Norway and the markets where the account-based system has been implemented. Cash-based markets have the benefit of convenience and anony-

PGRI Introduction: Integration of game content within a multi-channel model is key to optimizing the consumer experience. Operators are re-imagining their connection to the consumer to take full advantage of their strengths in both land-based venues and new media like internet and mobile. How will game design be different for VLT's and internet? How can we isolate similarities and create a player experience that migrates across all the different channels? How can we create synergy between land-based and i-gaming/i-lottery/i-distribution channels so that everything is mutually reinforcing? How can content be updated in rapid response to player interest, and also to comply with the shortened life-cycles of "internet-time."

It is all being done to great effect in the most progressive markets. It is more complicated, more challenging for the supplier to deliver the solutions that meet all of these heightened operator expectations. But there are pioneering operators and suppliers who are in fact showing us the way.

mous, instant play for the casual visitor. Each market may require adjustments to meet the needs unique to it, but operators everywhere should be confident the player is receptive to well-conceived strategies that create a more interactive communication between operator and consumer. We need to empower the customer with options and choices, but it's not hard to incentivize those options so that the customer becomes the one who drives the trend towards more interaction.

What is the difference between downloadable and server-based?

S. Nickless: Downloadable would be where the gaming decision is still made on the client device but the software is downloaded from a central server. That's how many casinos are set up, especially in the U.S. Downloadable removes the need for a technician to upgrade the game content, and works well in large venues with lots of machines. But server-based works better for the distributed environment because the process of uploading data to the client machine is more efficient and confers control to the operator instead of the client machine. It requires a reliable, consistent connection to the central server, although generally only small amounts of data, relating to game outcomes, pass between the server and the client.

Examples of distributed environments include Italy, Norway, and now Illinois, right?

S. Nickless: Yes. The value of server-based for distributed venues is derived from many elements. Think of it this way: The other major distributed environment is internet gaming, which is really the ultimate example of server-based gaming. The games are played on the customer's own device, whether it's a phone or a laptop. All the gaming decisions have to be made back on the server because transaction processing and all kinds of vital functionality can't be transferred to the client, which in the case of the internet is the players' computer or gaming device, for security reasons. . And for all the reasons that it works well in the internet environment, it also works well in the land-based distributed environment. The other big advantage that server-based has for the operator is that it greatly reduces the cost of the end point, the cost of the terminal access device. You do not need to upgrade the cabinets themselves as often, since all of the expensive parts of the system, the smarts that drive the whole process, reside back in the central server. If you are implementing a distributed network across a small number of machines,

the savings are not as attractive. But if you are implementing it over a large number of machines, then you are cutting out the cost of having to replace the client machines every time there is a technological upgrade. All that can be done at the server.

Do land-based operators feel threatened by internet gaming? How does the operator create harmony between the different channels?

S. Nickless: All operators, lotteries and casinos alike, are exploring the ways and means of deploying content across multiple channels. The players want to be able to access their favorite games through different media and channels and so the operators need to give it to them. A server-based model is a major advantage to managing a multi-channel platform. This new gaming environment will be more of an account-based system, instead of cash. That creates a foundation for the implementation of far superior player management tools and data mining initiatives that drive game development and better player retention strategies. Server-based also facilitates the implementation of a single player user interface across multiple channels, and the coordination of promotions and social games between land-based operations and the internet. All these things contribute to a much better player experience.

I don't think land-based operators are threatened by internet gaming, but they are certainly thinking hard about what it means for them. There are both opportunities for growth as well as threats to the core business. There is always going to be a role for the distinct experience that land-based operations provide. I often think of the movie industry. In a world where most movies can be downloaded at a very low cost, gold class cinemas with tickets costing as much as \$35 still exist and are actually growing land-based channels have to be distinctive and the quality casino experience can't ever be replicated on a computer at home. It is a social environment that delivers much more than the act of playing the games. Players are surrounded by restaurants, entertainment options and other players, making it all a completely different experience than playing at home. Casinos are leveraging those proprietary attributes to create tournaments and progressives that engage the participation of lots of players on the floor, turning it all into an exciting social gaming experience.

The land-based operator that creates the right linkages between the physical and the digital product will create the most value. That requires a smart channel management strategy, but the end result is a more con-

nected consumer who will derive benefits from all the different channels. Of course, some will migrate more to the internet than to casinos and some will prefer casinos. But the internet is just as likely to bring in new consumer groups that will end up checking out the casino experience than it is to pull players away from the casinos.

It's all about expanding the player base and enhancing the play experience for all consumers. . The European i-gaming space is dominated by online companies that have no land-based operations and that means intense competition between the two. The U.S. operators are showing that they are learning from that and many are positioning early so they become the consumers' choice for online gaming. The same goes for lottery operators, of course, because lotteries need to integrate i-gaming into their channel mix before the remote online operators have a chance to get the foothold they need to leverage into dominance like they did in Europe.

Is the difference between Aristocrat and Aristocrat Lotteries that Aristocrat Lotteries focuses on Government Gaming and therefore more on the distributed venue technologies and model?

S. Nickless: Aristocrat Lotteries is more about distributed gaming. It's true that the technologies that support distributed gaming are being taken up by government gaming clients, but server-based is also applicable to route and street markets like in Italy. It's also very applicable in casino environments where the games, or a portion of the casino floor, could be driven in a server-based way providing additional flexibility to the operator, player choice, more flexibility with messaging and therefore promotional targeting, and an overall superior player experience. As we have been discussing, server-based technology delivers many benefits to both operator and consumer and those benefits accrue in large casinos as well as distributed venues. It's just that the alternatives to server-based in a distributed venue model do not work well at all, so that's where server-based really excels. One core connection between Aristocrat and our Aristocrat Lotteries division is that overarching belief in the need for quality content, no matter what the system can do.

It seems, though, that the result is ironic. Server-based is superior in many ways to the alternatives (technicians switching out software, operators buying new cabinets, etc.) and it is being implemented in the distrib-

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Richard Haddrill

Chief Executive Officer, Bally Technologies, Inc.

PGRI Introduction: The ICE London show happens the last week of January every year (though being moved to first week of February next year). It is not only the biggest international gaming show, it is also the most important for couple reasons. First, people from all over the world converge on London for an endless series of mini-conferences and meetings. Second, there is so much that is happening in Europe that presages things to come in other parts of the world, like the U.S. Video Lottery and distributed venues, for instance, are now even referred to as the "European model". Bally Technologies is on the leading edge of this trend, and also the trend towards content and games that extend and enhance the entertainment experience.

Paul Jason, Public Gaming: *The European gambling market is more mature than the U.S. market. How does the European market differ from the U.S. market, and what can U.S. operators learn from the ways that consumer trends are evolving in Europe?*

Richard Haddrill: The average casino size is smaller in Europe than in the U.S. That's why video products are more prevalent in Europe. With smaller venues, it is more important to streamline technical support and maintenance since many operators can't have a lot of support staff at each casino. Video makes it easier to change the game content. Instead of changing out mechanical spinning wheels, you just switch out the software inside the cabinet. Switching out the chips makes the conversion process easy, greatly reducing the cost of updating the games. Too, the average wager tends to be smaller in Europe, and the average winner-game lower. So the longer ROI timeline for the cabinets makes it harder to buy new cabinets as frequently as in high-turnover venues. Video products have lots of advantages, but these cost advantages, more than anything else, make video particularly attractive for the smaller casinos, and especially the bar and tavern market. This all plays to Bally's strength in video, making us more competitive in the European market.

I can see that. You are getting lots of action at the ICE London show here today! What other advantages does Video Gaming deliver?

R. Haddrill: Keeping the maintenance and

update costs low opens up other opportunities to extend the life of the cabinet. If a particular gaming device is not performing well, you can extend the life by networking it with other games on the floor, using software to add features that get attention and adds appeal for the players. Since Europe is a dominant video market, our picture-in-picture systems technology is very applicable. This technology, called iVIEW DM™, is a player-user-interface and networking technology that allows operators to put bonusing and secondary games across the floor and even between venues. This has proven to create community excitement and increase play.

Your iVIEW and video technology would also support an expansion into new and different types of gaming content, wouldn't it, by creating a gaming experience that could not really be done with mechanical spinning-reel technology?

R. Haddrill: Absolutely. Our new ALPHA 2 platform with two screens and a very strong engine enables for much more unique and complex bonusing and graphic features. And the iVIEW network creates a whole new gaming experience in itself because it can create floor-wide community gaming experiences. So you could create the kind of energy on a casino floor that is similar to the wave at a sporting event where everybody is experiencing something together, whether it's a horse-race event or a secondary bonus event. And at the same time you are making it a floor-wide event, you

can personalize the playing experience for individual patrons by matching awards with our player marketing database.

This sounds huge, the ability to tap into the human impulse to want to share experiences with others, to be part of a happening thing.

R. Haddrill: Exactly. Another thing we can do with iVIEW is create floor-wide or configurable tournaments. This is huge. In fact, in the next couple of weeks we're going to be doing the world's largest tournament with the Pechanga Resort & Casino with over a thousand people participating in that tournament. {Editor's note: After this interview, on February 11, 2012 Pechanga did indeed win a Guinness World Records® certificate for the 'World's Largest Slot Tournament,' and Bally also earned a Guinness World Records achievement for 'most slot machines running the same game simultaneously at the same venue.' It was Bally's iVIEW DM and Elite Bonusing Suite technology that enabled this landmark event to happen.} And as the tournament progresses, you'll see leader boards with the leader names being updated in real-time right on the board. And your individual machine will tell you where you stand. You're number 310 out of 1,000. And you see how your play is resulting in you moving up and down the leader board. So the iVIEW creates this floor-wide experience and at the same time, makes it personal so that you can share with your friends on Facebook how you did with that event.

People go to casinos because they enjoy the

social experience of being with other people, playing with other people. Bally's iVIEW takes that to a new level of allowing patrons to participate with hundreds of other participants in the casino.

Bally's interactive and mobile division promises to integrate a cross-platform solution for its core casino patron - taking the video experience and putting it online as well and give the operator the single view of the player. So let's first talk about it from the operator point of view, then from the player experience point of view.

R. Haddrill: We look at mobile as being every bit as big as the internet for the gaming industry; possibly even bigger. Today we can deliver the most advanced mobile applications to enable the casino to communicate directly with its patrons through their cell phones. Our custom, cloud-based mobile apps offer everything from special offers and promotions to events happening on the casino floor, to entertainment and dining options and social-media communications. Players can access maps that show where all the different games are located and events are happening, schedules of events, shows and tournaments, general info so the guest knows who to contact and where to go for all guest services, all on our mobile platform. We now have more than three million players on our casino mobile apps. Our play-for-free games are very popular. The transition to wagering games will be easily done as enabling legislation makes that legal.

Lotteries have a huge customer base and they are deploying the kinds of outreach programs that successful consumer-services companies have developed. Alerts about jackpot size, closest retailers, and store promotions, and access to second-chance draw applications, can all be pushed to the cell phone. The goal for all the operators is to engage the player in a continual state of communication. It's what the consumer wants. They enjoy that feeling of being connected and being special. We constantly check our cell phone for incoming messages. Players love to see that our trusted lottery operator knows who we are and is staying in touch.

The current emphasis is on these kinds of concierge services. However, we will deliver wager-based games to consumers' cell phones in the near future.

But how about on the internet?

R. Haddrill: Our free-play games are currently very popular in iGaming. Bally's wagering content has been very successful on the casino floor and we are making it available on the internet. Very soon you will see Bally games on social networks as well as approved

wager-based networks. But social free-play will also continue to grow. Bally will announce an i-Gaming and i-poker option within 90 days. But we are ready to ramp up soon, and will be announcing more at our Systems User Conference 9 in early March.

We talked a few months ago about your concept of a universal player user interface. The protocols that the player uses to navigate the website and the appearance of the content itself would be at least somewhat similar to what they see on the casino floor, or on the VLT's, enabling the player to focus more on the experience of playing than trying to figure out how something works.

R. Haddrill: One of our core strengths is the great player-marketing technology that we've enhanced over many years for our casino customers. This enables our customers to know a lot about the preferences and play styles of each individual player, and create a personalized player experience. And like you said, you don't want to lose them over complex player interfaces. You want to make the player experience very easy and as repeatable as possible. This contributes to a customer-retention strategy since it is uncomfortable to switch to a new system and learn it all over again. The key is to make it easy for the player to switch to you and be more likely to stay with you as well. The more consistency you can have across those user interfaces, the more you'll keep them in your family.

Statistics show that internet gamers will switch sites pretty quickly from one to another based on the latest customer acquisition promotions. So you don't want them to come to your site and find it to be complicated to use.

Internet-based gaming would seem to require the player to register. The consumer is happy to do that, aren't they, if they get something for free or receive some benefit or incentive. As consumers, we are anxious to make sure the merchant knows who we are when we book an airline flight because we want our frequent flyer miles.

R. Haddrill: That's a great point. The price the consumer pays to play on the internet is to give up some privacy. That's a reality the consumer has accepted not just in the gaming industry but in all industries. So the consumer is quite used to that and is willing to do that if given an incentive, like free bonus play, a special offer, or a personalized experience in general. The consumer is learning that giving the merchant the ability to customize promotions and specials geared towards their individual preferences is not a bad thing. Players don't want to give up their medical records, but they'll give up their birth date, e-mail address, and some

other basic info and that is all that is needed to track their behavior, customize promotions, and ultimately deliver far more value and entertainment to the consumer.

Working towards the proverbial market of one.

R. Haddrill: That is the whole concept behind our iVIEW network. We couple this player communication and secondary wagering network that goes across the casino floor with the marketing database. We learn about the individual likes and dislikes of each player. So, for example, we know to send a promotion for the Italian restaurant instead of the steak restaurant, if that is your preference. From an responsible gaming point of view, we can give the player a bonus play that can be redeemed the following day, or some other tool to encourage them to take a break. The iVIEW network has self-exclusion and stop-loss tools, but also the ability to instruct a host to visit the player to make sure they are doing okay. We even have the technology to take a facial image and have a player implement personal limits and then enforce based on facial recognition. That level of data enables operators to know more about their patrons and effectively use the data, to make their experience even better.

We have all been under the assumption that there are two different play styles. The lottery player is buying the 'hope and dream', convenience, and impulse. The casino player is focused on the outcome. And the overlap is pretty small. Am I wrong in thinking that social and entertainment games and the technology that is now delivering all varieties of play styles through all different channels is resulting in an increase in that overlap? I'm thinking that the 'hope and dream' player still wants a positive outcome, and the outcome-focused player still wants to indulge in the fun of the hope and dream.

R. Haddrill: Absolutely. Everyone enjoys the thrill of winning money, or even the thrill factor of playing for money whether you win a little or a lot. That would be true for lottery players as well as casino players. And in the casino, we have clearly seen an increase in the popularity of the wide-area progressives that have big jackpots which have more of a life-altering opportunity, similar to the 'hope and dream' that appeals to lottery players, and, lotteries have seen good growth in scratch tickets. So, I do think that as gaming platforms bring about a convergence of the different types of games, and as we get to know the players more, we will continue to evolve the games to appeal to both

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Christopher Satchell

Executive Vice President of Research & Development and Chief Technology Officer, IGT

PGRI Introduction: Successful businesses are anticipating consumer trends and preparing today to meet the needs of tomorrow. With all the discussion about i-gaming and multi-channel strategies, we need to appreciate that it is the consumer who is driving innovation and change. Operators and their commercial partners are moving as quickly as possible to keep up with the consumer. That's true for all industries and it is now more true than ever in the gaming, wagering, and lottery industries. Fortunately, there is a wave of technological innovation that is being implemented today that positions our industry to meet the needs of the player. The challenge is to shorten the time-to-market, accelerate the rate of change and progress. To that end, commercial partners are connecting all these technology-enabled capabilities with a genuinely consumer-centric business strategy.

Paul Jason, Public Gaming: *IGT has taken some bold steps to reshape itself to serve the next generation of gamers. Connecting with the consumer through multiple channels would seem to be the vital first step for all operators.*

Christopher Satchell: The gambling industry needs to change and adapt. There is a gap between how our industry provides entertainment experiences and the way other media industries operate. We need to close that gap and the first step towards doing that is to clarify our business mission and purpose. It's not about gambling per se. It's about entertainment. We need to think about what that means and how it can inform and perhaps change our approach to delivering a better consumer experience. Our customer is redefining themselves to be consumers of entertainment and not just slot machine players or casino players. They want more from their gaming experience than to just gamble and hope to win money. They want a comprehensive gaming experience that enables all varieties of exciting game content to be available through all varieties of media and channels of distribution. We are competing with an explosion of creativity in the media, hospitality, and entertainment industries. Any and all products and services are being infused with entertainment attributes and so we need to raise our game to engage the attention and interest of the consumer.

When we thought of our industry as being more proscribed to a specific market with player profiles limited to casino gamblers, the need for the industry to evolve was not so pressing. And so the casino and gambling industry did not progress as it should have. The technology that delivers the

games evolved, but not with as much innovation and ambition as it has in other industries. Customer relationship management programs were focused on attracting the big players and not on a broad base of consumers. And, of course, the internet and mobile has not been fully integrated into the channel and media mix. That is mostly because of regulatory constraints, but still these new media could have been leveraged to build more of a relationship-based connection to our players than to think of it as simply a marketing player-acquisition tool. That is all changing now and that is where IGT is investing its resources: to position our customers to serve the new-age consumer with innovative game content delivered over multiple channels and combined with a richer, more imaginative overall player experience.

It sounds like you think the casino gaming industry needs to expand beyond its core casino-player profile. Not just enhance the experience for the core player whose tastes are changing, but to reach beyond to bring in new consumer groups.

C. Satchell: It's true but I would also say that the things we need to do to bring in new consumer groups are really no different than the things we need to do to enhance the appeal of our product for the core player. They all want a richer, more varied entertainment experience. We need to analyze the appeal of social games and figure out better ways to integrate the attributes that deliver that kind of social gaming experience to our markets.

The real trick of it is to change our DNA with respect to the way we view innovation and change. The tempo is no longer being set by our competitors in the casino gambling industry such

that if we all evolve at a slower rate, that's okay as long as we keep up with each other. We're now competing on the much bigger stage of entertainment. The producers of Zynga and World of Warcraft games are already inventing the next generation of games. And they don't wait around to wring every last dollar out of the life-cycle of current product and business processes. They don't wait to innovate and launch new game styles that will further evolve consumer play styles and preferences. So, as an industry, if we do not dramatically pick up the pace, that evolution is taking the consumer further and further away from the traditional games and approaches that make up the current casino gambling industry. We simply need to change and adapt much faster and the way to do that is to benchmark against the leaders in the entertainment and media businesses, not against our peers in the casino gambling industry.

Younger consumers are driving many of these changes. But all consumers, even the core baby-boomer demographic that plays in the casinos, are all digital and connect through multiple channels.

C. Satchell: Exactly. We are talking about two different aspects of how we need to evolve. Game content needs to evolve to appeal to a generation weaned on the excitement of video games and social interaction. What needs to happen now, and I mean yesterday really, is to provide the consumer with a comprehensive set of integrated channels, media, and touch-points to access their favorite games and connect with their favorite operators. We are actually behind the curve on this right now and need to catch up quickly.

And by "consumer", I mean everyone. Who

isn't online, who doesn't want their games to be enhanced with social interaction? The baby-boomer generation is who drives revenues and profits in the casino gaming industry now. But how are they any different from the next generation with respect to being online and mobile and expecting to be able to connect to the entertainment providers through multiple channels? They aren't. Accelerating the roll-out of a multi-channel gaming environment is the top priority. Game development will always be a work in progress. But making our content available through all channels is something that needs to be done right now. The fastest growing segment on Facebook is the over 45 crowd. We need to deliver to them the kind of entertainment experience that will keep them engaged with our industry or we'll begin to lose even our core customer.

And by that you mean that the consumer should be able to access the same games online as they do in the casino?

C. Satchell: Not exactly. Some of the content should actually be distinct to its medium, to reflect the special and unique characteristics of the medium or, in the case of a casino, the venue. The casino floor has qualities that could never be replicated online and it would be foolish to not fully leverage those qualities; that excitement of being with other people, playing the games that they are playing. The energy and the ambience of a casino is a wonderful thing that we certainly want to focus on as a uniquely powerful competitive differentiator. Many of the games themselves will have a quality that remains distinct to the casino floor and not necessarily travel across all channels. Likewise there will be online games that will leverage the unique qualities of that medium.

But we want to recognize that people playing in a casino are all connected to multiple channels in their everyday life and so we want to create a customer relationship management approach that is consistent with that. The fact that our casino players are not necessarily clamoring for an online strategy should not delude us into thinking that therefore we don't need to deliver a multi-channel experience. In fact, we need to actually drive the evolution to multiple channels and incent the consumer to interact with the operator through the different channels like internet. The reason we need to do that now is that if we wait till we see more and more attrition of our customer base to take action, it will be too late. Others will have gotten the jump on us and it will be hard to claw our way back into the game. We need to be the leader and introduce our customers to a world of inter-connected channels that enable them to migrate their loyalty system points from one channel to another. We want to enable the player to quickly and easily see how their online experience can be migrated to the casino floor and vice-versa; how they can enjoy the same set of friends and player groups in the casino as they can online. How they can receive text-message promotions while they are playing the slots. How they can receive invitations to casino tournaments, or free bonus plays at the casino delivered to their online account. How they can leave the

casino and know that they can pick up the game right where they left off when they get home. We do not want to wait for others to deliver this kind of enhanced player experience before we do it. We want to lead the consumer, including our core casino players, into this new world of highly interactive and mobile gaming experience.

The benefits would seem to be huge, not just from the enhanced consumer experience point-of-view, but from a customer relationship management point of view.

C. Satchell: The customer may not know that this is what they want, or they may not be communicating that this is what they want. Customers did not describe to Steve Jobs all the features they wanted in the i-pod, i-pad, and i-phone. He had to discern the consumer wants and needs and implement a warp-speed plan to give it to them. And the roadmap that we are talking about in the gaming industry is frankly crystal clear compared to the one that Apple had. We can clearly see that this is the direction we need to go in. The only debate, such as it were, is how fast should we move to get there. I am just submitting that once we get clear on the ultimate direction that the consumer wants to go, we should deliver it post haste, like yesterday, and not continue the debate while our competitors move forward with agendas that will sweep the market like Apple Computer did in its markets.

To your point, creating the fully multi-channel relationship with the consumer yields huge benefits to the operator in terms of building the kind of interactive and personalized relationship that will drive all successful consumer product and service companies in the future. There evolves a feedback cycle that enables the operator to identify the products and services that appeal to each individual player. As the products, services, promotions, and communication style gets more and more customized to the preferences of each individual consumer, the feedback cycle is improved and the ability to continually enhance and build upon the positive foundation reinforces the bond we have with each individual consumer. That's what Double-Down Interactive does for IGT. It gives us the tools to build that online customer relationship management system that will bring in new consumer groups and reinforce the bond with the core player group.

My next question was going to be about integration of multiple channels, but you have gone a long way towards making sense of that too.

C. Satchell: Integration is key. It is just as vital that operators truly optimize the consumer experience in the casino as it is to provide a multi-channel customer relationship. Casinos could and should be just as much a growth area as internet. And definitely more profitable. The internet shouldn't be thought of as a way to capture a market that is not going to casinos. It should be thought of as working synergistically to reinforce the appeal of casinos as well as providing an at-home gaming experience. Casinos have a huge potential to recapture the growth rates of five years ago. Look at the example of cinema. Al-

most everyone now has large-screen televisions and we can download or even live-stream all the best new content. So, why go to the cinema? Yet, people do still go to the cinema because it delivers a different kind of feeling, a different overall consumer experience. And cinemas are trying to enhance that experience and augment that appeal. Fortunately, the attributes of a casino provide a far richer canvass to work with than the cinema industry had. The casino experience will continue to be a huge draw, and insofar as it is augmented with more variety of entertainment options, more social gaming experience for players right on the casino floor, more extended-play and entertainment-enhanced game content, that's what gives casinos a huge potential to appeal to new consumer groups as well as energize the loyalty of their core groups.

That's why the Double-Down Interactive investment is a testament to your confidence in and commitment to your community of land-based casino operators.

C. Satchell: Exactly. Supporting and supplying casinos is our core business and that is what we are focused on now more than ever. We need to merge all the back-end infrastructure to enable our customers to implement this integrated multi-channel relationship with their players. IGT is in a better position than anyone to accomplish this task, to deliver the fully integrated back-end that provides a seamless player user interface along with the 360 degree view of the player that the operator needs. The operator of the future, whether it is Big Casino or Lottery, needs to do this for the benefit of the consumer and for the ability to manage a more complex back-end that supports the multi-channel infrastructure. IGT has the broadest experience, crossing over all categories of this industry, that really requires us to take the leadership role. Our experience with game and content and slots development, with server and communications technologies, with all aspects of traditional land-based casino operations, with internet-based gaming where it is legal, with loyalty and bonus systems, with innovation in all of these spaces, and now with the acquisition of Double-Down the ability to integrate these into a comprehensive customer relationship management program - all this drives our conviction that the industry needs us to take the lead in providing the next generation of full-service support for operators to meet the needs of the digitally connected consumer.

How will the Double-Down Interactive model be integrated into IGT's business model? Is IGT entering the B2C space?

C. Satchell: No. Think of the internet as being a virtual venue. We operate games and take a revenue share. That is the same model as applies to the way slot machine suppliers install machines in a casino on a revenue sharing plan. The supplier retains ownership of the machines, maintains them, and for that service receives a small percentage of the revenue. Likewise, IGT and Double-Down provides the technology and

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The Illinois Lottery sets a record pace

PGRI Introduction: For all the talk about multi-channel delivery of lottery products, the reality is that lottery sales will continue to be driven by the retailer network. Next to its brand, the massive network of retailers is by far the most valuable asset that any lottery has. That has been true since the modern era of lottery began in the U.S. some four decades ago. The question arises: if the retailer channel has been the backbone of lottery sales for so long, how much potential for innovation is there really? The answer is ... quite a lot! There is huge potential for improving retailer performance. Incre-

mental improvements in the retail channel have a significant impact on retailer motivation and effectiveness, and that impact adds up to substantial increases in top line sales. With an annual run-rate of over \$60 billion in lottery sales in the U.S. (not counting VLT's), incremental improvements in the retail environment are the source for multi-billion dollar increases of funding for Good Causes. Retailers are the life-blood of the lottery business and are the one proprietary channel that other gaming sectors cannot replicate. Thankfully, the retailer channel space continues to be rich with potential to innovate, drive sales increases, and be the source of ongoing lottery modernization.

IMPROVING INSTANT TICKET MANAGEMENT CHALLENGES FOR LOTTERY RETAILERS: PILOT PROGRAM EXPERIENCE WITH SMARTCOUNT

A responsive retail solution to increase retailer satisfaction and encourage retail expansion.

As lottery operators, you are keenly aware that the strength of the lottery/retail partnership directly affects contributions to good causes. For years, we have all asked:

- > How can we make it easier for retailers to sell more games, with less worry and effort?
- > How can we overcome prospective retailer reluctance to carry lottery products to grow our retail base?
- > How can we increase sales by existing retailers?

If we can simplify the management of lottery products for our retail partners, we will help them to be better lottery ambassadors to our players. We are currently testing a retail solution to address these questions in selected retail locations in Oregon and Illinois.

SIMPLIFYING THE LOTTERY FOR RETAILERS: THE SMARTCOUNT SOLUTION

SmartCount is a tool for simplifying the difficult process of instant ticket inventory management. It uses a specialized application installed on GTECH's Enterprise Series (ES) system, combined with an external (or cordless) bar code reader attached to the lottery terminal.

With SmartCount, retailers have access to:

- > Sales by game, book, ticket number, and ticket count.
- > Details vital to understanding sales and inventory patterns, including accurate summary reports of sold tickets.
- > Critical instant information for cash drawer reconciliation.
- > An effective means to monitor sales and protect against shrinkage.
- > Reports of remaining tickets for each pack so that they can make decisions on activating new packs to keep bins full.

WITH SMARTCOUNT RETAILERS SIMPLY:

1. Activate the book being placed on sale.
2. Scan the bar code on the first or last ticket in the activated book.
3. Indicate the order of ticket counting: ascending or descending.

Missed books are identified and shown on the terminal as either sold out or missing. If the entire book was sold, the system will automatically calculate the quantity of tickets sold. If the clerk accidentally skips a book, the clerk may go back and scan the book that was skipped. The system provides an update of the number and dollar value of tickets sold as well as the remaining inventory by instant pack.





To watch a video of a retailer using SmartCount during a shift change in an actual retailer setting in Oregon, please scan this QR code. For best results, scan while connected to a wi-fi network. [NOTE: this is not a marketing video. It is an actual, real-time capture of operations at a SmartCount pilot store.]

MAKING LOTTERY SELLING EASIER FOR RETAILERS

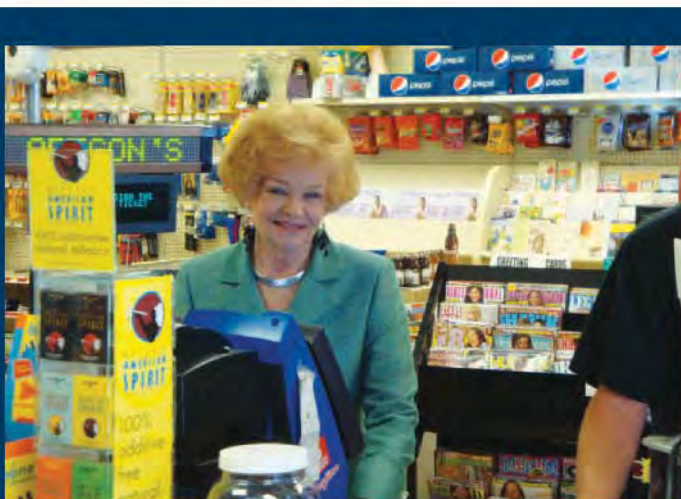
Your retailers work very hard to responsibly support lottery sales. To manage instant tickets, they carefully track sales by game between shifts and carefully complete and store hand-written balance sheets. The more they sell, the more their inventory tracking challenges multiply.

The automated SmartCount tracking tool addresses the issues that frustrate retailers every day:

- > Typically retailers have anywhere from 16 to 30 instant ticket packs available for sale at any one time. These include a variety of games and often multiple packs of popular games.
SMARTCOUNT: Tracks inventory based on game, pack, and ticket number, so the retailer can have any combination of game/packs for sale and still perform a fast and accurate shift change.
- > Randomization of game dispenser groupings makes standardization of ticket tracking procedures difficult. SMARTCOUNT: Accuracy in scanning is independent of dispenser arrangement.
- > Transposing ticket numbers, math mistakes, random pack loading, unrecorded pack loads, and misreads are currently typical errors made when manually performing instant ticket counts during shift changes.
SMARTCOUNT: Removes the time and errors associated with manual tracking and provides an audio beep and text message on the terminal if a clerk has missed a pack while scanning.

FEEDBACK FROM THE FIELD

Commentary from lottery retailers describes some of the benefits of SmartCount's improved inventory management.



FEEDBACK FROM THE FIELD

**PHYLLIS – MINUTE MARKETS
OREGON**

"Our biggest problem over the years has been the amount of time it takes every shift to balance our scratch tickets. We carry an average of 24 games in every store. The average time to count tickets and balance the lottery sheet is about 30 minutes. As a pilot program participant, we can tell that SmartCount is capable of reducing the time to balance a shift by 20 minutes on each of our two shifts. **That's 40 minutes a day each store will have to devote to other tasks.**"

REDUCED THEFT:

LORI – DEJAY'S ACE HARDWARE
ILLINOIS

"In the past we had to track everything on paper, and now all the cashiers have to do is scan the tickets and it prints out a report. SmartCount makes each cashier accountable for their shift. It eliminates any discrepancies between the cashiers when changing shifts and has **decreased shrinkage in our stores.**"



CAPTION: CASEY'S GENERAL STORE STAFF IS REALIZING THE TIME SAVINGS AND EASE OF USE OF SMARTCOUNT.

INCREASED USE OF ON-COUNTER DISPENSERS:

JENNIFER – CASEY'S GENERAL STORE
ILLINOIS

"Because of SmartCount, we have been able to put dispensers on the counter, which **has increased product visibility and tripled instant sales** in our store. By putting the tickets on the counter and using SmartCount, our employees are also more aware of the instant games that are for sale and how they are played. This helps provide better information to our lottery customers. SmartCount keeps a very accurate record of the instant ticket inventory."

SmartCount helps to show retailers that we value their partnership, we acknowledge the effort they devote to selling lottery products, and we are committed to strengthening their businesses.

As retailer comments from the pilot programs confirm, SmartCount is meeting retail inventory tracking needs by using consumer product management best practices to reduce time and labor costs. In return, retailers have been motivated to give attention and support to lottery products, to place additional instant ticket dispensers on the counter, and to keep dispensers full, thereby generating increases in sales, lottery profits, and retail commissions.

CONTINUING TO INCREASE LOTTERY PRODUCT VALUE

The SmartCount solution is part of a full package of retailer-friendly, time-saving initiatives designed to strengthen the lottery/retailer partnership.

Other solutions include:

- > Keyless Validation – provides the ability to validate tickets without the manual effort of entering in the PIN.
- > Individual ticket tracking – reduces inventory labor and shrinkage by tracking and activating instant tickets upon sale.
- > Ticket checkers – save retailer labor by not having to scan every potential winning ticket and protect players from fraudulent ticket processing by clerks.
- > Self-service lottery machines – offer players anonymity as an alternative to clerk services, while reducing retailer labor, especially at high traffic locations.

through the strategic acquisitions of leading content firms GameLogic and Barcrest, and our creation of Sciplay continues to be our focus. Very important to the unique internet gaming position we have here in the U.S. is our launch of almost 400 micro sites in 35 U.S. states, along with our successful players club and loyalty rewards programs that have enhanced both player engagement and retail participation. Sciplay brings the technologies and expertise together and integrates an internet program for U.S. lotteries.

I have found myself making a distinction between "i-gaming" and "i-distribution" of traditional games. But I have not seen that others are making any such distinction. Do you feel that there is a relevant distinction to be made between i-gaming, which would include all forms of internet wagering games like i-poker, casino-style games and actually any i-games other than traditional lottery games, and i-distribution of traditional games, which would include all the varieties of second-chance draws, Instants, and jackpot games and what I would like to think is a whole new portfolio of i-distribution strategies and traditional lottery games customized for lottery distribution?

L. Weil: For us, the distinction is actually between iLottery and iGaming because the internet is generally not purely a distribution channel for any consumer product. The internet will always deliver a unique, personal, interactive experience. It can also help build playership by establishing a "community" for players through players clubs and loyalty reward programs, and of course, social media. iLottery – which is the sale of draw, including subscriptions, and electronic instant games – offers a very different player experience than iGaming – which is bingo, poker and other casino-style games. There is a big difference between buying an instant or draw game to play on the internet (iLottery) versus engaging in a casino-style game play experience on the internet (iGaming). The internet will be able to offer an expanded play experience that engages a lottery's players with current games, and it will also offer new channels (through computers and laptops, tablets, mobile devices) for the lottery to sell new interactive games to their players.

I have been quite outspoken, though, with the notion that this U.S. DOJ position statement is a window of time that will close at

some point. This U.S. DOJ opinion is fungible and can be overturned in Congress, or by the DOJ itself under guidance of the next administration. In fact, Big Casino is spending tens of millions of dollars to affect just that result and, given enough time, will almost certainly succeed. Do you agree with those suppositions and/or how would you clarify or better explain the current position of state governments and their lotteries and what they should do about it?

L. Weil: The government entity that regulates gaming is a local issue. Scientific Games has always been a believer that states need to make this decision. Scientific Games supports all lottery advocacy groups and we are working with NASPL to support its efforts in this area. U.S. lotteries should proceed carefully but expediently to interpret the DOJ's recent opinion as it applies to other federal laws as well as their own existing state laws. Because U.S. lotteries work diligently to deliver revenue performance to the state governments they serve, naturally they must view the internet as a very important growth opportunity – based on what's happening in other areas of the world, internet sales initiatives have generated significant growth for lotteries.

Tell us about Sciplay and Scientific Games' strategies to support the efforts of U.S. lotteries to leverage the internet for optimizing the gaming experience and integrate the internet into the channel mix.

L. Weil: Well, I'll begin by sharing some research we've done that may surprise you ... 77% of lottery players have access to or use the internet – that's actually more than the general population. And 73% of lottery players are age 35 or older – so we're definitely not talking about creating a new channel that reaches the "younger demographic" – we're talking about adding a sales and distribution channel that will reach a lottery's existing, loyal player base and grow playership as well as attract new players to the games. Again, the internet must be integrated into the lottery's overall strategy; it cannot stand alone, but must work in tandem with existing products and retail networks.

One of our key areas of focus has always been to customize offerings to meet the dynamics of each individual lottery jurisdiction, and we approach internet and Sciplay in the same way. Working with our U.S. lottery cus-

tomers, we have already implemented successful loyalty rewards programs to help optimize the play experience and build playership. Loyalty rewards programs foster a more social or emotional relationship with players – so the internet becomes much more than simply an additional channel for sales transactions. Once this relationship is established, it's all about continuing to engage players and build loyalty with Points for Prizes®, 2nd Chance drawings and other promotions. The opportunity to integrate these promotions with existing lottery retailers to drive traffic to brick and mortar locations is virtually unlimited. When a lottery begins using the internet to sell products within its state, responsible gaming will be of the utmost importance. And because we have been anticipating this, Scientific Games has expertise in place that will enable lotteries to launch an internet sales channel with age verification, geolocation, self-exclusion and fraud prevention technologies that regulate purchases through a secure Sciplay platform. As lotteries explore the possibility of offering their players electronic versions of instant scratch games, Scientific Games can provide our customers the proven expertise of a content creation team that's designed and programmed many of the best-selling traditional scratch games in the U.S.

The Association of Convenience Stores (NACS) posted a statement proclaiming the negative impact that i-distribution would have on land-based retail sales. The records of lotteries that have been distributing over the internet for years shows clearly that is not the case. How can we convince our retail channel partners to embrace the tremendous opportunity this represents for them to drive new consumer groups into their stores and affect all manner of new outreach that will benefit everyone including retailers? Any thoughts on what SG/MDI is doing in particular to make that happen?

L. Weil: Lotteries, like other businesses, make sales through marketing and distribution channels. The most successful lotteries in the world – indeed the most successful businesses in the world – watch what their customers are doing, help shape behaviors and ultimately adapt to the consumer's choice. Today, consumers are choosing the internet in addition to traditional retail operations to make their purchases. Virtually every consumer industry understands that both their

existing customers and future customers are using the internet for news, information, shopping, entertainment and staying connected – so it has now become mandatory to build internet-based sales channels or risk obsolescence. By no means does selling lottery products on the internet require or result in shutting the store and moving exclusively to the internet. Indeed, successful businesses, including pioneering lotteries, have found that effective integration of the internet into the channel mix can increase, not cannibalize, a lottery's overall sales. In fact, it can be used to drive traffic back to brick and mortar retailers. Experiences from international jurisdictions that have pursued comprehensive internet-based sales have seen a corresponding growth in brick and mortar retail sales. Simply put, distribution over the internet can expand the opportunity for all stakeholders. This is an important approach that needs to be shared with the retail partners. Success happens through partnership and collaboration.

An important driver for a successful internet sales initiative is providing a wide range of methods for a consumer to fund the activity. In the world of iTunes®, a very successful example, consumers can deposit funds into their account through numerous online sources (e.g. credit card, debit card, bank account transfer, etc.) A consumer can also deposit funds by purchasing a prepaid card distributed through an extensive network of retail outlets. The same would be true for a lottery internet sales program. Players could deposit funds through traditional internet means. But, they could also do so through a visit to any lottery retail outlet. This connection is critical to making the internet and retail channels two parts of the same consumer connection. Promotions designed to drive sales growth will also target play at traditional retailers. For example, last year, Zynga® – the world's most successful social gaming website with over 240 million monthly active users – ran a promotion in conjunction with 7-Eleven®. Slurpee® cups contained web-codes that awarded free bonuses in the popular Zynga game, Farmville. Consumer traffic to 7-Eleven peaked as Farmville players took advantage of this promotion. Lotteries selling games on the internet will offer continued promotions that tie-in their retailers as a natural means to drive overall sales. It just makes sense. And, the traditional retail base will benefit. The connection to retail and launching marketing programs that bring play-

ers to the internet and back to retail are important elements of Sciplay.

Selling Powerball and other draw games over the internet would seem to be a no-brainer – certainly a great way for lotteries to get started on the internet. But how about instant scratch games and other game concepts? I would think the instant category offers a fertile ground for innovating to create new and engaging games.

L. Weil: As they explore the possibility of internet programs, lotteries must make decisions that don't limit their options. Maintaining flexibility for access to the best electronic instant game content is really important. This is an area where Canadian lotteries are making some strong decisions today to make sure they always have access to the best content portfolio and are not limited exclusively to the firm that delivers the infrastructure solution for selling internet iLottery games.

A West Virginia legislator appears to be trying to stanch the growth of VLT's there in WV? It concerns me that Big Casino is turning more and more big guns towards steering states away from i-gaming and now it seems they are attacking the VLT and distributed venue model?

L. Weil: While we remain supportive of the West Virginia Lottery and the West Virginia legislative team, licensing and enforcement is not within the scope of Scientific Games' relationships in West Virginia or any of the other 13 VLT jurisdictions in the U.S. What I can share is that the West Virginia Lottery manages nearly 9,000 VLTs in over 1,700 bars and taverns, and five racinos with nearly 10,000 VLTs – including the state's largest racino with over 5,000 VLTs. Our AEGIS-Video™ System has been in operation there for over five years and utilizes a variety of gaming industry protocols which seamlessly interface with every licensed VLT manufacturer. From the robust security of the games, to financial accounting that balances to the penny, our system has been very successful in this and other VLT jurisdictions.

Congrats on the award of the Illinois central server contract which is huge and represents the real heart of a distributed-venue system.

L. Weil: We are very excited about Illinois – it's a big win. Illinois could grow to be the largest video gaming network in the country with the potential for up to 60,000

terminals. Our sixth generation AEGIS-Video Central Communication System will be implemented and managed by experienced Scientific Games staff from an operational center in Chicago. The Scientific Games Video Gaming group will provide real-time communication and control between every licensed video gaming terminal in the state of Illinois, as well as day-to-day management of the operation of the system and service throughout the state. This is truly a case of enhancing our product offering to meet a customer's evolving and expanding needs. Globally, Scientific Games' Video Gaming group currently manages over 94,000 gaming machines in nearly 9,000 locations.

You served as CEO of Scientific Games' from 1992 to 2008, during which time revenues grew from less than \$50 million to over \$1 billion. You returned to the CEO role in late 2010. What are some of your observations on the lottery and gaming industry since you've been back at the helm, and what do you see in the coming years as growth potential with regard to potential for lotteries? And, how has the global economic crisis changed the market and impacted innovation?

L. Weil: I'm optimistic because we're seeing innovation return on the investment side of the lottery business. For years, the lottery practice was to focus on the cost side of the business at the expense of real growth and return on investment. A look at the reduced combined market capitalization of the major suppliers will confirm the impact of an out-of-balance investment model. More and more, we are being directly engaged by government leaders – especially in the U.S. – to enter into discussions and make recommendations as they look to fully optimize the performance of the lottery as a government asset. With the integration of interactive channels, public-private partnerships, consortiums and focused execution in current channels, innovation will once again fuel growth in our unique industry. More and more, lotteries are beginning to take an entrepreneurial focus – for example, some of the strategic projects that have been initiated by the Pennsylvania Lottery. Overall, I do find it very interesting to see a shift in the conversation over the last 12-18 months to a real focus on generating return on investment and realization that lotteries can provide a significant benefit when they receive adequate investment. ♦

Calvin Ayre, founder of Bodog.com. The other count was under the Illegal Gambling Business Act, 18 U.S.C. §1955.)

ADDRESSING PROBLEM GAMBLING

States already address problem gambling in respect of gambling occurring within their respective boundaries. By way of example only, Illinois Law contains provisions with respect to play of the Illinois State Lottery that obligate lottery retailers to post statements regarding obtaining assistance with gambling problems, including a toll-free telephone number providing crisis counseling and referral services to families experiencing difficulty as a result of problem or compulsive gambling. (10 ILCS 1605/10.7)

In addition, unlike anonymous gambling at “bricks and mortar” facilities, the Internet gambler is identified to the Internet gambling operator, and mechanisms can be put into place to limit the amounts wagered or lost by a gambler over a specified time period. Upon reaching the limit, as established by law or regulation, no further wagering can occur by that player for a specified period of time. The implementation of such safeguards can be made a condition of licensure and need not be the purview of the federal government. While different states might have different wagering limits per specified time period, gambling operators could program their systems to apply different limits depending on the location of the player.

ENSURING PLAYERS ARE NOT CHEATED

State governments are as able, indeed perhaps more able, than the federal government, to enact laws and regulations ensuring that gamblers within their borders are not cheated. As noted above, the regulation of gambling has historically been the prerogative of state governments. States have enacted laws to prevent gambling cheating. They know what methods are and are not effective in deterring, preventing and detecting such cheating, as for years they have been using such laws to address gambling cheating at casinos, pari-mutuel race tracks and lotteries, with minimal assistance from the federal government. Moreover, there are no federal laws specific to cheating at gambling games (although the Travel Act, 18 U.S.C. § 1952, has been held applicable to cheating at gambling. See *U.S. v. Vaccaro*, 602 F.Supp. 1132 (D. Nev. 1985); *aff’d* 816 F.2d 443 (9th Cir. 1987); *cert. denied* 484 U.S. 914 (1987) and 484 U.S. 928 (1987).) To suggest that the federal government has more expertise or can more effectively address cheating at gambling than the states is not consistent with history. States successfully regulate lawful gaming within the borders currently, and could do so effectively with respect to online gambling businesses operating within their borders.

MATTERS LEFT UNADDRESSED BY THE DOJ OPINION

The AGA also points out in their editorial that the DoJ decision does not:

- Specify if lotteries and states can authorize intrastate online poker, slots and other casino games;
- Address whether different states that have legalized online gambling activity can link their lottery and/or other state-approved online gambling systems in an effort to increase liquidity;
- Address how the opinion affects wagering on pari-mutuel horse races; or
- Address gambling under the Indian Gaming Regulatory Act, and, in particular, whether the Unlawful Internet Gambling En-

forcement Act (“UIGEA”), 31 U.S.C. §§ 5361-5367, applies to Internet gambling by tribes or if existing tribal-state compacts must be renegotiated in order for tribes to offer online gambling.

All of this is correct. The DoJ was asked only to clarify its interpretation of the Wire Act in respect of the Internet gambling proposed by the New York and Illinois State Lotteries. To opine on these other matters would have been well outside the scope of the request and the DoJ’s authority. As stated in the DoJ Opinion, the DoJ was clarifying the Wire Act in light of an apparent conflict between it and the UIGEA, arising because the UIGEA appeared to permit intermediate out-of-state routing of electronic data associated with lawful lottery transactions that otherwise occur in-state, whereas the Wire Act, as had been interpreted by the DoJ, did not.

While it is true that the above-listed issues were not decided by the DoJ in its Opinion, this fact does not give rise to a need for federal legislation regulating Internet gambling. Moreover, the first issue – whether lotteries and states can authorize intrastate Internet poker, slots and other casino games – is clearly a matter to be decided by the individual states pursuant to their state laws. The second issue – whether states that have legalized intrastate Internet gambling can link their lottery and/or other state-approved systems – is a matter already decided under existing federal law. While the United States Constitution provides that states can enter into compacts with other states only with the consent of Congress (U.S. Const., Art. I, § 10, cl. 3), the U.S. Supreme Court has held that Congressional consent is required only when a state compact “enhances state power [with respect to] the National Government.” (*U.S. Steel v. Multistate Tax Commission*, 434 U.S. 452, 473 (1978).) The *U.S. Steel* case involved an interstate tax agreement among several states and was determined to be not the sort of interstate agreement for which congressional consent was required, because: (1) it did not authorize member states to exercise any new powers other than those they already had prior to the compact; (2) states’ sovereign power was not delegated to the newly-created interstate agency; and (3) each compacting state retained its ability to adopt or reject rules and regulations developed by the interstate agency and to withdraw from the compact at any time.) Thus, interstate compacts among states pertaining to Internet gambling could be entered into without Congressional consent provided they adhered to the standards set forth in *U.S. Steel*.

The third and fourth issues are indeed open. The third issue has been undecided since the 2000 amendment to the Interstate Horseracing Act (15 U.S.C. § 3001, et seq.) which appeared to make legal, subject to certain conditions, interstate Internet gambling on horse races; and the fourth issue has been undecided since the passage of the UIGEA in 2006. Clarification of these issues is desirable. However, clarification of these issues does not require the creation and imposition on the states of a federal infrastructure with respect to Internet gambling.

THE “PATCHWORK QUILT” OF STATE RULES AND REGS

Finally, the AGA asserts that without federal Internet gambling legislation, there will be a “patchwork quilt” of state rules and regulations governing online gambling in the United States. This need not be the case. The states have shown that they can work together on gambling licensing and regulatory issues, and such cooperation has resulted in compacts among them containing uniform standards and rules. Such cooperation is evidenced not only by the National Racing Compact applicable to certain licenses pertaining to horseracing, but also by

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just like they do on lottery games now. This liquidity issue was faced right here in New England back in 1985. Vermont, Maine, and New Hampshire wanted to do a jackpot game, didn't have the body count in each individual state, so they joined together. States are already enabling multi-state progressives in the electronic games space. The fact that all gambling and lottery is regulated and conducted on an intra-state basis does not prevent states from agreeing to collaborate on the games. The federal government recognizes that as long as no state laws are being violated, then there is no crime. If two or more states come to an agreement on how to implement a game together, then the games are conducted on a multi-state basis with no laws being broken. We have been doing this in the lottery industry for years with multi-state games. And there is no reason it could not be done in other games, like internet poker.

I would think that is what the casino interests would be especially fearful of.

C. McIntyre: Maybe. But their concerns should not drive a reshaping of state and federal laws that govern this industry; or cause the federal government to take unprecedented action to force states to change the way they regulate and tax this industry.

Even a lay-persons' reading of the proposed federal bills reveals that the opt-in and opt-out options are a manipulative ruse to mislead us to think that the states have a choice. The terms and conditions are all dictated by the federal government, so the choice is to agree to terms that favor the casino gambling industry or be prohibited from offering internet gaming. It reminds me of the Henry Ford line about the Model-T: "The customer can have whatever color he wants, as long as it's black." A compulsion on the way internet gambling is to be handled, is not the exercise of 10th Amendment freedom, it is the absence of it.

How can lottery directors get that message across to the stakeholders?

C. McIntyre: I can't speak for others, but as a lottery director, I am not charged with the job of influencing the direction of public policy. That is the job of state legislators and the governor's office. I am,

though, obligated to inform our commission and legislators about anything that materially impacts the business of lottery. State legislators do want to know about anything that might impact the operations of the lottery and also gaming and gambling within the state. First, there is the matter of the lottery itself which is a valuable state asset that generates huge funds for worthy causes. In our state and many others, lottery proceeds support education in a material way. In other states, lottery proceeds may go to the general fund – and all lotteries support a worthy cause of some kind. Whoever the beneficiary is, the state wants to protect its interests. Second, there is the protection of the integrity of the industry, the players, and the general public. Third, there is the collection of taxes that should accrue to the state and not other entities like the federal government. All three of those rely on the preservation of the exclusive rights of states to control and regulate the lottery and gambling industry. My legislators would expect me to inform them of events that would impact any of those three factors. The proposed federal legislation would impact those factors and so therefore it is my obligation to inform our legislators of those facts. It is totally up to them what they want to do with that information. And in fact, in my capacity as a resource for helping legislators understand how events might impact the broader state public policy objectives, it is my duty to impart all of the information objectively as a citizen of the state and not to advocate for a particular interest group like lottery.

So, while lottery directors should not take a position on matters of public policy, you are obligated to communicate facts that legislators need in order to come to informed decisions and formulate public policy.

C. McIntyre: That is the way my legislators look at it. Again, I can't speak for other states. My legislators and the governor expect me to request a meeting to keep them informed about important events impacting the industry and the people of our state. And so I do, and am frequently addressing committees and the legislature. When asked, I proffer an assessment of the situation. Otherwise, I just explain the situation and leave it for the elected officials to assess the im-

pact on states' interests and to make those public policy decisions.

As regards the federalization of i-gaming, the facts pretty much speak for themselves.

C. McIntyre: I hope I always let the facts speak for themselves. But I would agree that state legislators do not want to see their revenue sources impacted negatively and so if a situation threatens to do that, then they would know that and the facts here seem to speak for themselves.

The attempt to insert the federalization of i-gaming into the Payroll Tax bill was defeated. But that's not necessarily the end of it, is it?

C. McIntyre: Definitely not. I think we can expect that there will be similar attempts to attach them to bills in the future. Moreover, I think we can expect them to tweak it in ways that make it easier to pass. It would still likely impact states in a negative way, but be modified to make it less disagreeable to other members of Congress. The good news is that as this whole situation unfolds, more and more legislators, at both the federal and state levels, are understanding the implications of these proposed bills and questioning them.

If some states were to move forward quickly with i-gaming initiatives, wouldn't it be difficult for the federal government to enact a law that overturns what a state had already implemented?

C. McIntyre: Yes. But in the category of tweaking the bill to make it more passable, they could insert a PASPA-like grandfather clause which could exempt those states and impose onerous restrictions on all the states that did not have i-gaming already in place.

The Alderney Gaming Commission was one of the most respected in the world before the indictment of Full-Tilt Poker for massive consumer fraud. Shouldn't states be concerned that turning regulatory authority over to others might leave their citizens exposed to similar risk?

C. McIntyre: Absolutely. For one thing, most states require a level of transparency that could not possibly exist outside of our state. Everything we do, every bill that is proposed, is a matter of public record. If a citizen of my state has a concern, they

can literally call me up. States do have the right to say that they may not be comfortable with the level of transparency and oversight accorded to a Nevada casino operator. The states' ability to protect the interests of its citizens is materially compromised by being forced to turn control over to others, or to comply with terms, conditions, and enforcement mechanisms determined by others. For federal legislators to attempt to do that is a violation of the 10th Amendment, as well as being contrary to all logic and precedent. As a recovering attorney, I see major problems with that proposition. Unfortunately, in the real world, anomalies can happen.

As co-chair of the NASPL government affairs committee, is there anything you can tell us about NASPL's ability to assert political influence or strategies to at least communicate with and inform our legislative leaders about the i-Gaming issues?

C. McIntyre: I would actually refer back to a previous answer in which I explained the role that my legislators expect me to perform. NASPL is fundamentally a resource for gathering and disseminating information. I do not envision NASPL as an agency for lobbying or even promoting a specific policy position. But as you said, the facts speak for themselves. And so, in the capacity of information resource, NASPL can serve a valuable service to its members by making sure that everyone is informed of the issues, or at least ensure that the information is organized in a fashion that makes it super easy for the members to share with their constituents and stakeholders as they see fit.

NASPL did take an outspoken position late 2010 when NASPL president Ed Trees sent a letter protesting the first iteration of the Harry Reid bill. Why couldn't NASPL just do a lot more of that kind of thing?

C. McIntyre: Even that example does not change the primary mission and purpose of NASPL. There may be circumstances when the threat is so pressing and the position of the members aligned such that NASPL can express the will of its members in that way. But the heavy lifting needs to be done at the state level and NASPL can serve its members best as an invaluable resource

and support function. There may be similarities between the different states when it comes to public policy positions. But as a rule, there is very rarely perfect alignment between all member states. And the association consists of lotteries which are not typically invited by their states to take outspoken positions on matters of public policy. I know I'm not. In the end, our political constituents are in-state. Whatever political influence we have should be exercised with our own in-state constituents. Our legislators have far more influence on Capitol Hill than we have, even when speaking with one voice through our unified association. We need to make sure they are informed so they make the best decisions in the interest of the state.

You testified before the U.S. Congress last November on these very issues.

C. McIntyre: Yes and my impression is that we are making a difference because shapers of public policy on both the federal and the state level can see that our mission really is to serve the people. We are public servants with no ulterior motive other than to support the interests of our state. I believe our lack of affiliation with the community of special interest lobbyists contributes to our credibility and commands attention.

I was just talking to the executive director of the World lottery Association, Jean Jorgensen, and he said the same thing: That our credibility and legitimacy is based on the confidence that our political constituents have in our integrity; in their confidence that we genuinely embrace the interests of the state and the people; and that we always need to align our messaging with that in mind. He was cautioning me to not be too strident in my criticism of ideas and interest groups that are not on what I call Team Lottery. And instead of promoting lottery per se, we promote public policy that serves the interest of the state.

C. McIntyre: I agree. We are all inclined to be protective of lottery because we all know how much good it does for worthy causes. But Jean is right in that our public statements retain credibility if they stay focused on the bigger picture, provide in-

formation, and not advocate for a particular course but to try to stay objective. For that matter, I avoid public statements other than to address the facts and leave it to others to assess the pros and cons. State legislators should be able to depend on their lottery directors to be the experts in the area of gaming, gambling, and lottery, to know the facts and communicate the facts without ulterior motive or agenda.

But couldn't we all agree that the right to determine regulation and taxation policy belongs exclusively to the state and therefore couldn't we all support an aggressive advocacy campaign on behalf of that position?

C. McIntyre: I agree with the first part but not the second. I do think we can all agree that the industry should be taxed and regulated exclusively by the states. But not all states agree on precisely what that means and even if they did, it is not the role of the lottery directors and the association representing lotteries to take a public policy advocacy position. And even if you overcame those two hurdles, the clarifying of the position, messaging, and action strategy would be yet another obstacle. And lastly, go back to what Jean Jorgensen said about not compromising our credibility by asserting a proactive public policy position. That is not the basic charter of NASPL and it would be misguided to try to reshape NASPL into an agent for political action.

Are U.S. lotteries on a track to do more, bigger, better multi-state games?

C. McIntyre: I believe that necessity is the mother of invention. Multi-state games have excellent potential to drive growth of lottery revenues. We are hopeful that \$2 Powerball, and the differentiation of the multi-state games, will be a source for growth for some time to come. Lottery is fundamentally a market of math. To keep it interesting, to keep the consumers engaged and the business growing, we need to continue to find new ways to market the math with innovative game content and formats. And so yes, I do think we are on a track to expand the multi-state portfolio of games, create new and better ways to market them, and increase revenues for worthy causes. ♦

uted venues instead of casinos. Which would seem to mean that the players in a distributed venue are enjoying a superior gaming experience to the players in a large casino.

S. Nickless: I probably wouldn't go that far. The gaming experience is more than just the background technology. It is also determined by the overall venue experience and the particular game software and hardware the player can engage with. There is still a lot that can be done uniquely in a casino environment, because of regulation and economics, that is still not available in the government or distributed gaming environment. But what you say is true, there are some additional experiences from account-based and server-based gaming that can enhance that casino experience even further.

Aristocrat Lotteries was the first commercial partner to Norsk Tipping for its IVT's (Interactive Video Lottery Terminals). Norsk Tipping has a most progressive approach towards nurturing a relationship-driven connection to the consumer. They really turned the higher regulatory standards and requirements into a marketing advantage. Is lottery keeping up with Big Casino in the customer relationship management space?

S. Nickless: The big casinos have been building their customer relationship management tools for many years. They're positioned well to integrate an online agenda with their customers, as regulations permit. They are also in a great position to launch new game concepts and consumer promotions. Being able to do this over multiple channels will be a key part of everyone's strategy and business model in the future. In fact, I will go so far as to say that operators which fail to integrate multiple channels including internet into their model will have a very hard time keeping the attention and interest of the players from migrating over to those operators who do have a comprehensive, multi-channel, customer relationship management approach. Norsk Tipping is one of a small number of lotteries that have taken this broader view towards customer relationship management. So of course, we are proud to be a partner and to help them accomplish their objectives.

The account-based model has much to recommend it as regards these customer relationship management goals. Norsk Tipping and others like Veikkaus in Finland are turning customer data into better products and player engagement. Effective integration so that the

channels are mutually supportive is key. But that is being done very effectively in lotteries all around the world. The end result is a better player experience and a business model that retains the support of all channel partners.

Aristocrat Lotteries is among a very short list of suppliers that have met the demanding standards and conditions of operating in the Italian market. What makes Italy a unique regulatory model to understand?

Italy has sought to strike a balance between public interests and oversight and private enterprise and autonomy, and on a massive distributed venue scale, which makes it unique. I frankly do not know that it should be emulated in other jurisdictions because it is a complex and challenging system for operators and suppliers to comply with. All markets have their unique set of public policy objectives and legacy gaming environments that must be considered when designing a regulatory framework but Italy has succeeded at integrating the strengths of private operators into a highly regulated framework and so it is important for all government gaming models to understand how it all works.

Italy is probably around the third or fourth largest market in the world, and has a long history of slot-style street gambling. There's the AWP market, which has something like 350,000 machines. The government then introduced the Comma 6b, otherwise known as the VLT market, which was a new way of delivering slot-style gaming to the Italian consumer – allowing slightly different game forms that are more casino-like games with some limits around minimum and maximum bets and max payouts. But they have done everything in a very controlled manner that ensures absolute integrity for the government in terms of who the operators are and in terms of tax collection. The Italian government has created a very sophisticated model that requires all suppliers to have server-based systems. So all of the operational decision making is made at one single point, with very strict protocols about the data and messaging that need to be sent to the central regulator. This provides total transparency, enabling the regulator to view every transaction, the outcomes of those transactions, ensure that everything is in compliance, and ensure that the right tax is being collected. This is a lot to ask of a system and the challenge to suppliers such as us is that we have had to create a very bespoke set of changes for the Italian market, that are not applicable to other markets.

Norway and Italy represent two of the most progressive and demanding regulatory environments in the world. The skill-sets and competencies acquired by Aristocrat Lotteries in the process of meeting these uniquely high standards will ultimately benefit all of our customers.

Aristocrat Lotteries has always focused on great game content as well as integrating the different channels to make that content accessible to the consumer. To what extent do different media dictate different game design and content?

S. Nickless: Aristocrat at its heart is a content company. We believe we make the leading gaming content in the world. We want to make that content available to players wherever they can legally and responsibly access it. Providing the consumer with multiple channels to access all the games is the first step. Your question points at the next step, which is to integrate the channels so that content is fine-tuned and optimized for each particular medium. Obviously, a strength of the internet is its ability to connect players in a social gaming context. So that strength can be leveraged with game content or surrounding features that is social, that drives player-to-player communication and interaction. Of course, many of those features and game design attributes can translate to an IVT. But the internet is ideal for creating the scale and traction that really drives social gaming. Likewise, electronic games, IVT's, VLT's and the like are ideal for quickly launching great new games into a ready and responsive player base. Electronic gamers are a huge market in themselves, but just as importantly, they provide the feedback that drives the creation of games that really excite the consumer. Different media do have different consumer interfaces and different attributes that drive game designs and content but integrating all games with all the different channels and media is vital because the goal of a multi-channel system is to serve all your customers, to engage the entire consumer base in a total gaming experience and not to fragment the market so consumers have to categorize themselves as i-gamers or casino players or anything other than people who love to play great games wherever and whenever and through whatever device they want. That is the mission of the Aristocrat Group and Aristocrat Lotteries and we are delivering on that promise with more and better solutions every day. ♦

ment of new applications and technology.

The main idea, though, is that technology is becoming embedded in the consumer experience and this has a profound impact on the operator side of the gaming and lottery industry. The consumer expects instant access to the very newest content and most intelligent delivery systems. And since there will always be someone up to speed and ready to give it to them, it means that all of us have to be up to speed and ready to give it to them if we want to keep our customers. This is where NEFOS Intralot Cloud comes in, as a service it powers the operator's business by delivering computing resources, gaming content and gaming solutions that in turn enable the operator to deliver the newest and best games and gaming solutions over the smartest and fastest delivery channels to its players.

So, NEFOS Intralot Cloud is not just a method of reducing costs by outsourcing IT. It results in delivering state-of-the-art products on a timely basis over different types of channels. Speaking of delivery, is NEFOS offered via different cloud computing service models?

K. Farris: Indeed it is. These include a Community Cloud dedicated specifically to the gaming sector, in which operators share resources with other operators. Generally, this solution best suits smaller operators as larger operators typically have an existing IT infrastructure that they want to leverage as long as they can. The Community model not only achieves economies of scale but also enables the small operator to tap right into sophisticated and powerful computing centers, delivering the newest and best content, being able

to respond instantly to changes in consumer tastes, and scaling up fast by joining up with other operators of social games where scale is so important. A Private Cloud model is also available for operators that prefer dedicated services, operated solely for them as well as a Hybrid Model in which some services of an operator can be provisioned via a Community cloud while others via a Private cloud.

Are there limits to the amount of data that can be transmitted via the internet, from the cloud to the point of application? Is there a question of bandwidth? What about security and overall system integrity?

K. Farris: The amount of data that can be transmitted to and from NEFOS Intralot Cloud is not an issue – the capacity is flexible and more than sufficient to meet required and growing needs. Moreover concerning bandwidth, in today's world where broadband communications are or are fast-becoming the rule rather than the exception such communication methods are effectively utilized when delivering cloud solutions – NEFOS included. In cases with potential local communication issues, INTRALOT, as a leading technology provider, will draw on its extensive experience in localizing the solution to best meet the operator's requirements. Now concerning security and system integrity, NEFOS complies with state-of-the-art information security standards in cloud computing and in the lottery sector. Among these are cloud security alliance specifications, ISACA Governance, auditing and assurance practices on cloud computing, WLA Security Control Standard, ISO 27001, PCI/DDS.

There's an aspect in which the lottery and casinos do not really compete for the same type of player. The outcome-focused, high velocity casino player will want casino-style games and the traditional lottery player isn't as likely to shift their play over to casinos. The competition will become intense, though, for the explosively growing area of extended-play entertainment and social gaming. I would think that the lack of visibility on the part of the operator to see how these new game categories will evolve and alter the whole gaming environment will put an even bigger premium on staying flexible, being instantly responsive to changes in consumer tastes. Where does NEFOS Intralot Cloud fit into all this?

K. Farris: INTRALOT focuses on what we call the Universal Gaming Experience. Everything ultimately goes back to the consumer, which is why we have developed our technologies to be seamless to the player, irrespective of the engagement model (retail channels, internet, mobile or iTV). To illustrate, all the different games and content relating to operation, marketing and promotions as well as all the related services (like cross-promotions between channel partners) – when synthesized together provide the Universal Gaming Experience.

The next era of gaming will be very exciting, especially for the player. Operators will be delivering an increasingly powerful portfolio of content and technological solutions that consumers will love. Our fundamental mission is to help operators optimize the player experience and NEFOS Intralot Cloud provides operators with an alternative effective operational model to do this. ♦

Mark Hichar ...continued from page 49

multi-state lottery games such as "Mega Millions" (involving the cooperation of 41 states, the District of Columbia and the U.S. Virgin Islands) and "Powerball" (operated by the Multi-State Lottery Association, with membership including 31 states, the District of Columbia and the U.S. Virgin Islands). States that accept some Internet gambling within their borders could agree on uniform licensing, security and operational standards, leaving them free – as indeed they should be – to determine which games will be permitted within their borders. The often-repeated claim that state regulation of Internet gambling will lead to inconsistent rules and standards need not come to pass. Pursuant to state compacts, states could establish a national license and/or national rules and standards for Internet gambling operators.

CONCLUSION

In summary, the claims of the AGA in support of federal Internet

poker legislation should not be accepted uncritically. Upon close analysis, their arguments in support of a federal infrastructure for Internet poker are not compelling. State laws can be passed to effectively deter, prevent and detect underage online gambling, problem gambling and gambling cheating, and existing federal laws can address fraud and money laundering. Further, state regulation of Internet gambling need not result in inconsistent rules and regulations. The states have demonstrated that they can reach agreement among themselves on gambling issues, and they could, pursuant to state compacts, establish uniform Internet gambling rules and regulations. The DoJ Opinion does not create a need for a federal Internet gambling infrastructure. ♦

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types of play styles, and that we'll see more overlap between lottery and casino gamers.

Perhaps a more interesting area of convergence is between age groups. We think of casino gamers as being older than online gamers. Now, casinos are working hard to appeal to the younger consumer, and older people are gravitating to online gaming. To be successful in the future, both content providers and operators will need to evolve their products to appeal to all different player profiles, through all different media.

Bally is celebrating its 80th anniversary – congratulations. That lengthy tenure would seem to me to reflect a disciplined approach to business fundamentals like making a profit in the short-term, but also evolving with the early adopters and reinventing yourself for long-term success. How do you weigh the trade-off between short-term and long-term objectives?

R. Haddrill: When I look back on the history of Bally over 80 years, there's been one commonality in our culture that we continue to emphasize, and that's innovation. Our history began with arcade innovation and the first electromechanical slot machine, continued with being the first gaming company to go public on the New York Stock Exchange, and now includes true server-based floor-wide gaming with our iVIEW network. The times we've lost our way is when we diversified into areas that did not directly benefit our gaming operator customers, like theme parks, hospitality services, fitness centers, and owning or managing casinos ourselves. What we are best at is technology-driven innovation, creating the best gaming experience for the benefit of the players and our gaming operator customers. Today, that is our total focus. My goal as CEO of Bally Technologies over the last seven years has been to make sure that our innovation DNA gets reinforced for future decades.

Fortunately, these are exciting times of change for the gaming industry – Fertile ground for an innovator to make a real difference. Integrating internet and mobile into the portfolio of gaming operations would seem to be top-of-mind.

R. Haddrill: Internet and mobile are not just channels of distribution. They are new forms of media and we need to create new game concepts to take full advantage of the capabilities of that media, to appeal to the players in new and exciting ways, and hopefully to even bring in completely new consumer groups. It is important that we work as partners with our

customers and focus all our resources on supporting their goals. That means not competing with them by attempting to become an operator ourselves and go direct to the consumer.

The business of delivering an integrated solution would seem to be better served by a smaller team of commercial partners to effectively bring it all together.

R. Haddrill: Absolutely. We are finding that operators and governments want technology providers that are strategic and that they can trust with a larger set of mission-critical functions. Technology has exploded and needs to be rationalized, with interoperability that converts all this technological fire-power into effective results. Operators need trusted commercial partners to make that happen. That is our mission: to be the trusted partner that turns the tremendous power of technological innovation into a better player experience and optimal operating effectiveness.

You seem to be succeeding in some major markets. Like Illinois and Italy. What are some of the attributes of these markets that make them different than others, and how do Bally's products and competencies meet these high standards and expectations?

R. Haddrill: They are both VLT markets with many and relatively few machines in each venue. Bally's technology, our support structure, and products, can really make a difference. Video technology enables the most efficient updating of game content. The ability to update by switching out software enables the operator to deliver a superlative gaming experience in the more challenging distributed venue model. Italy has a regulatory and technological environment that is more complex than we see in most jurisdictions. The challenge of meeting those high standards has made us a better company and a better commercial partner to all government-gaming operators. There hasn't been a single new vendor approved in Italy in 15 months. And that's because it is so hard to meet the high technological and regulatory standards. So we are pleased and proud to be one of the few that's going to be approved. This VLT trend is especially significant throughout the world in markets such as Canada, Delaware, New York, West Virginia, Rhode Island, Oregon, and South Dakota.

Bally has some really exciting new games, like the Michael Jackson King of Pop, Grease, SKEE-BALL, and Playboy brands. Don't these new games deliver an extended-play type gaming experience such that operators protest that

the velocity diminishes, or the turnover per hour, and therefore the profit, for each console is not as high as it is for the traditional slot style games?

R. Haddrill: These games have entertaining bonus features combined with iconic videos and songs. Features that create a really great entertainment experience. People enjoy the games more; they enjoy learning about the different bonuses and getting to see the different videos. That translates into high occupancy, high entertainment value, and excellent profitability. Everybody wins. The player has a terrific experience and the operator ends up making good money.

It seems like the concept would also appeal from an RG point of view. We want people to think of gaming and gambling as being more recreational and entertainment focused as opposed to trying to spend more and more money with the goal of winning money.

R. Haddrill: These games provide players with a terrific entertainment experience that can be managed within their entertainment budget. We're appealing to people who have a budget for entertainment – not just gaming. These consumers get to place entertainment value on going to dinner, going to a movie, or playing our games. Our industry needs to refine our focus to be more about delivering entertainment and not so much on competing for the gambling dollar.

If World of Warcraft and Zynga type games can attract such attention without delivering the exciting outcome that lottery and VLT's deliver, I would think we should be able to combine what they're doing with a more interesting outcome possibility to create a far more compelling consumer experience.

R. Haddrill: That is exactly what we are trying to do with these new game concepts – combine the thrill of a wagering experience with a great entertainment experience. So that's what games like Michael Jackson and Grease are all about, and that's what our mobile applications are about – trying to make sure that players are feeling energized, having fun, being a part of a community, and interacting with other people if they choose to do that. Bally organized dedicated product-development teams to focus on integrating the concepts that we have been talking about, i.e. entertainment-enhanced games of chance, with new media channels like internet and mobile, and VLT's. Pulling it all together requires sophisticated technology-driven solutions, and that is what we are all about. ♦

the consumer interface to the operator to serve the online customer. IGT does not encroach on the operator role with Double-Down any more than it does in the service of providing slot machines. The operators are our customer and we are not competing with them. We are simply providing access to an additional 800 million consumers, to bring the excitement of gaming to the online community for the benefit of our operator customers.

And you deliver the instant scalability and liquidity that is needed for online social gaming.

C. Satchell: There are many pieces to the puzzle of building out an effective online gaming model. IGT is also the leader in building the tools to do this. You need to assess the lifetime value of the player and how you want to focus your game content and resources. For instance, you have a World of Warcraft business that yields a lifetime value in the hundreds of dollars. Then you have Zynga-type social games in which the lifetime value of a customer may be less than a dollar. Both models work fine. Obviously, with a Zynga model, you need more players. A lot more players! But it still works. Lots of costs relating to game development, revenue-generating, customer service, and customer acquisition need to be factored into the whole strategy. But that is all part of the skill-set that IGT brings to the table for the benefit of the operator. For the gaming operator, it won't likely be limited to one end of the spectrum or the other. You'll want a broad base of consumers supported with a lower lifetime-value model, but you'll certainly want to appeal to the online whales just like you do in the land-based casino world. And then integrate all the above! It's all very do-able, and we need to start doing it now.

How will the migration of the consumer to multiple channels impact the player profiling that has traditionally been applied? The gambler versus the lottery player etc.

C. Satchell: Of course, the player profile is ultimately decided by the player, not those of us who apply our classifications. There will remain the same distinct differences between the outcome-focused, high-velocity/high-return gambler and the recreational lottery player. However, the channel mix is driving an element of convergence. It's not that lottery players are becoming more outcome focused or gamblers less so. There is a point of convergence, though, in the emerging space of extended-play, entertainment-enhanced and social games. The importance of player profiling, of recognizing the distinct differences between the gambler and lottery player profiles, will not change. But there is a new space, a hugely important new category, that will combine attributes of both of those with these new play-styles. All play styles, including the dedicated casino gambler and the loyal lottery player, will be best served by a multi-channel approach towards customer relationship management and even on the games themselves. Our goal at IGT is to understand how the different consumer groups

are recasting themselves and to help the operator keep up with those trends, meet their needs, and implement a focused consumer-centric strategy.

And Double-Down Interactive is a key component to providing the infrastructure to respond instantly to the evolution of consumer play-styles and preferences.

C. Satchell: That's absolutely true. We need to provide all the games through all the channels, to create the user interface that makes it super-easy for the consumer to travel from one channel to another, and to provide the technological infrastructure, the back-end systems, to implement this integrated multi-channel approach. There may be a lot that goes into accomplishing this, but it all comes down to one thing: enhancing the consumer experience.

IGT has also advanced the use of cloud computing to serve its operator customers. Is the basic value proposition of cloud computing that it provides the benefits of technologically sophisticated and expensive infrastructure to the smaller operator? They don't have to buy and manage the technology but instead pay IGT for a full turn-key service that delivers the multi-channel benefits to the consumer.

C. Satchell: It's true that it delivers exactly that benefit to the smaller operators who do not want to allocate the resources to technological infrastructure. I would propose that the larger operators benefit just as much on two counts. First, it enables them to channel more resources towards their areas of core competency and mission-critical business areas. Those would include staying focused on creating the best consumer experience. Second, cloud computing facilitates the rapid deployment of all the latest breakthroughs in games, in delivery systems, and in customer relationship management tools. By enabling them to not invest in technology that becomes obsolete, cloud computing effectively future-proofs the large operators as well. Why would any consumer-centric operator, large or small, want to be saddled with an increasingly complex IT business?

How do you create a social gaming experience on the casino floor?

C. Satchell: You start with a server-based gaming back-end to manage a more dynamic gaming environment on the floor. That enables the operator to create what I call a 'metagaming' experience.

Let's say all three of us were in a casino. You have split screens and friend-finders that keep you connected to other games and tournaments taking place both on the floor and online. Up pops a message saying "Paul and Susan are in the casino and they're playing." There are fun graphics to indicate that you or they are winning and challenge you to form a team to play in an instant tournament. Whoever wins the most points in the next ten minutes gets a free bonus play. I see little dollars flying up indicating that Susan is winning

so I get excited because she is on my team. Then I see Paul winning and the next thing I know our team has won triple points. We're all just playing on a slot machine, but we're having a social experience, courtesy of the server based gaming adding the social end.

Imagine we're playing at a local casino on a Friday night. Suddenly a window pops up that says, "In five minutes we're doing a red versus blue tournament. Do you want in?" And the rules are whichever team wins they gets ten extra points. You end up on the blue team and your companion next to you ends up on the red team. And your teammates might from all over the world. And the boxes with big screens on top of the games are displaying play-by-play results and even adding in audio when the excitement reaches a high pitch. You hear cheering and clapping as passerby's get caught up in the excitement as one team takes the lead. Unfortunately for you, Paul, the red team wins but then maybe Susan will take you to dinner to celebrate her victory. The casino floor is made for just this kind of social gaming. The operator takes a careful inventory of all its assets and figures out how to leverage them into an enhanced player experience. In a casino, a big under-utilized asset is the energy and excitement that can be created when you have a large group of people gathered together and surrounded by all these exciting electronic games and entertainment media that create the energy you have in a football stadium. And speaking about available inventory, think about how many non-cash rewards a casino can offer its players. 50% off at the high-end restaurant, free spa treatment, or even free nights at one of their other resorts. And, of course, the operator can manage this inventory to increase demand on slow days or to introduce new products and services. Or to appeal to a specific convention crowd that has flown in from some other country. The possibilities are endless. And these are experiences that cannot be replicated in the online environment.

Operators used to be concerned that extended-play games, or sending messages to the slot players' smart-phones, or enabling a multi-tasking play-style at the machine on the casino floor, would diminish velocity and therefore profits.

C. Satchell: It does diminish velocity. But it does not diminish profitability. Let's start from the point of view that delivering the best consumer experience needs to be a part of all successful business models. This is what the consumer wants. But really, whatever is lost in terms of velocity is totally made up in the time they spend on playing because they enjoy the gaming experience so much more. The customer decides what kind of experience the operator needs to deliver. Then it's our job to create, or even reinvent if necessary, the business model that makes it work for everyone. Fortunately, our industry is rich with potential to innovate and evolve with the customer in ways that are profitable for all stakeholders. ♦

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- Kelly Shaw, Vice President, Systems Sales & Marketing

Aristocrat creates the world's greatest gaming experience every day. Founded in 1953 in Sydney, Australia and with more than 55 years industry experience and a global staff of more than 2,000, Aristocrat Leisure Limited has built on its Australian market leadership and reputation to become a premium supplier to the international gaming industry.

Today, Aristocrat continues to lead the international gaming industry and has offices in Australia, the United States, New Zealand, the United Kingdom, Russia, Argentina, South Africa, Japan, Macau and Mexico City. Aristocrat Technologies Inc. is the U.S. subsidiary of Aristocrat Leisure Limited. Aristocrat Technologies designs and markets gaming machines, progressive systems and the Oasis 360™ casino management system. Las Vegas is the location of Aristocrat's North and South American operations. From this base, the company supplies products to casinos, casino-hotel resorts and racetrack-casinos.

Aristocrat's Las Vegas office has been fully operational for more than 10 years. In that time, the company has become one of the strongest presences in the casino industry. Aristocrat's Oasis 360 system has grown exponentially and is now the most widely used in North America, with more than 280 installations to date, almost more than a third more than its nearest competitor.

Aristocrat's games business has produced some of the industry's most loved and most popular games, and now the company's games occupy more than 20 percent of the domestic video slot market.

Aristocrat has also been a key figure in shaping the future of the industry, and was a founding Platinum Member of the global standards-setting organization the Gaming Standards Association (GSA). Today, all of Aristocrat's products are developed in conformance with GSA standards, which numerous lottery operators from across North America have said is vital to their future business plans.

Aristocrat is well-positioned for the future in the lottery business and recently signed a contract with the ACLC to provide VLTs. The Company was recently approved to supply VLTs into the United States' first video lottery jurisdiction, South Dakota, and the Company is more positive than ever about its future potential for business in the VLT marketplace.

Aristocrat is also helping operators lay the groundwork for online gaming with play-for-money sites in jurisdictions where online gambling is currently legal, and play-for-fun sites in other jurisdictions, such as the United States. The system, nLive, is the industry's first, real solution to go live, and helps operators compete in the online arena, rather than compete against operators in the space, as other suppliers do. The Company recently signed an exclusive contract with GAN, adding tremendous potential to the nLive software.

Yesterday, today and tomorrow, one thing about Aristocrat that has not changed and will not change is the Company's very aggressive stance when it comes to probity. Aristocrat has gone above and beyond what has been expected of the Company to be transparent about its integrity and honesty, and its strict adherence to gaming regulations in the global jurisdictions it serves. ♦



THE CAMELOT GROUP

www.camelotgroup.co.uk

The Camelot Group is a private lottery operator dedicated to delivering sustainable long term growth with the utmost integrity and social responsibility for the benefit of the public good.

Camelot Group provides lottery operational expertise and a range of services which all put the player first. We have established ourselves as one of the world's most successful lottery operators by basing our decisions on solid consumer insight and addressing the demands of an ever-changing market. From introducing exciting and original games, to developing and enhancing our channels of distribution, we remain focused on continuous innovation. The needs of our consumers, providing them with the games they want and easy access to play wherever and whenever they like, are at the heart of what we do.

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Camelot Global Services offers a complete suite of services including:

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LOTTOMATICA GROUP is a leading commercial operator and provider of technology in the regulated worldwide gaming markets by delivering best-in-class products and services, with a commitment to the highest levels of integrity, responsibility, and the creation of shareholder value. Lottomatica Group and its business units – GTECH Corporation; SPIELO International, GTECH G2; and Lottomatica (Italian Operator) – is the only global gaming company in the world with in-house capabilities to deliver a full suite of products and services across the entire value chain.

Lottomatica is listed on the Milan Stock Exchange with the symbol "LTO" and on the US over-the-counter market with the symbol "LTOY" in the Sponsored Level 1 American Depository Receipt (ADR) program. To learn more about Lottomatica Group, visit www.lottomaticagroup.com.

GTECH CORPORATION is a leading operator and provider of innovative technology, global retail products and services, superior service delivery, and evolving marketing capabilities with an abiding commitment to the principles of responsible gaming and employee empowerment. GTECH provides full service capabilities to several of the top-performing lotteries in the world. It designs, assembles, installs, operates, and maintains online lottery systems for governments and licensed operators worldwide; also provides instant ticket vending machines, printing, and design services, as well as promotional and interactive gaming capabilities to government-authorized lotteries.

With 8,000 people in approximately 60 countries when combined with Lottomatica Group, GTECH provides innovative technology, creative content, and superior service delivery to effectively manage and grow today's evolving gaming markets. For more information about GTECH, please visit www.gtech.com.

SPIELO INTERNATIONAL is a world leader in the design, manufacture and distribution of top-performing games, cabinets, central systems and associated software for legal gaming markets around the world. It offers a complete range of end-to-end gaming products for diverse gaming segments, including distributed government-sponsored markets, commercial casino markets, and Amusement with Prize (AWP) markets.

SPIELO is a platinum member of the Gaming Standards Association, and supports open industry standards such as Game to System® (G2S®) and System to System® (S2S®). For more information on SPIELO International and our products, please visit our website at www.spielo.com.

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LOTTOMATICA S.P.A. (ITALIAN OPERATIONS) is the largest lottery operator in the world based on total wagers. It is also a leader in the Italian gaming industry. Founded in 1992 upon award of the lottery license, Lottomatica has developed and expanded substantially over the years and has an exemplary track record of growing its business in Italy in a responsible and sustainable manner. Today, Lottomatica:

- Has an extensive distribution network (tobacconists, bars, petrol stations, newspaper stands, and motorway restaurants).
- Is the sole concessionaire for the Italian Lotto game and instant tickets 'Gratta e Vinci.'
- Is a licensed operator for fixed odds sports betting and sports pools.
- Is a concessionaire for Amusement With Prize (AWP) and Video Lottery Terminals (VLTs).
- Processes non-lottery commercial transactions such as utility and bill payments, electronic tax payments, prepaid cellular telephone recharges, etc.
- Represents 15% of the Italian interactive gaming market.
- Is one of the first lotteries to receive the World Lottery Association (WLA) responsible gaming certification and holds the European Lotteries Standard certification. ♦

intralot

INTRALOT

www.intralot.com

In less than 20 years, INTRALOT has become a 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 services, the dedication, professionalism and attention to client relations of its 5,400 employees around the globe, along with its portfolio of leading-edge technology solutions, give them the ability to blaze new trails in the international gaming market. INTRALOT's passion and commitment to customer satisfaction, as well as its focus on continuous improvement and solid growth in a socially responsible manner, have enabled the company to expand its reach with contracts in 53 countries, including 13 in the highly-competitive U.S. marketplace.

INTRALOT prides itself on keeping one very important goal in mind: establishing successful, long-term business partnerships with its clients and offer them a complete range of innovative products and services to the end of increasing the returns to the good causes of our partner's beneficiaries. INTRALOT is recognized globally for offering real value to its partners, timely commitment to customer needs and dedication to quality and flexibility.

The integrated Lottery systems developed by INTRALOT rank among the most advanced and flexible systems available worldwide. INTRALOT products are distinguished by their quality, reliability, adaptability, expandability and security. INTRALOT's commitment to cutting edge products is made possible through continual focus on investment in Research & Development of advanced technologies and software development processes, creating the conditions required to quickly and efficiently utilize innovations in new products and value-added services.

The gaming market is evolving rapidly and exciting new opportunities are continuously becoming available to INTRALOT. Internet gaming is expanding globally to become a viable product channel and INTRALOT has been paving the way for the future in Internet Gaming through its new subsidiary INTRALOT Interactive (I2). INTRALOT realizes the importance of the existing distribution channel of its products and will explore all opportunities to include and expand that valuable network of retailers as we move toward selling games over the Internet in more and more jurisdictions around the world.

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 as well as 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. The global company is 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. ♦



JUMBO INTERACTIVE LTD

www.jumbointeractive.com

Jumbo Interactive Ltd is an innovative and successful Internet lottery retail business. Owner of Jumbo Lotteries (www.jumbolotteries.com), and partner to lotteries all around the world dedicated to growing their online presence and driving online sales. Jumbo Interactive follows the traditional retailer/agency model common to virtually all lotteries around the world and applies this model to the modern environment of the Internet. Employing the right combination of assets, skills, experience and momentum, Jumbo Interactive has proven over the past ten years its ability to grow new markets on the Internet for its lottery partners. Jumbo Interactive owns key Internet lottery properties – akin to owning well located traditional storefronts – designed to appear wherever lottery players are searching on the Internet.

Traditional retailers are concerned about the impact of internet sales to their business. Solution – Jumbo Internet Lottery E-Retailer Partnership (JILERP). Jumbo has recognised the concerns facing traditional retailers and via the JILERP program gives them an opportunity to participate in the online business. Jumbo begins by assessing their current online presence then talks the retailer through the range of options. The range begins with simple “Link” image to a fully integrated “White label” website.

Retailers then enhance their websites with tools from JILERP, which is connected to the lottery system (GTECH, SciGames, Intralot, etc). JILERP serves the function of ensuring all game rules and regulations are adhered to on the Internet. It is much easier for the lottery to audit and control one system than multiple differing systems for the Internet. JILERP also provides retailers with all the tools they need to conduct lottery sales on the Internet. Age verification, geo-location, self-exclusion, fraud prevention and other issues are dealt with at the JILERP level. Retailers send customers to JILERP for sorting, acceptance or rejection based on lottery requirements.

Has JILERP been proven with live lottery sales?

Yes, for over 10 years. The regulated Australian lottery market is very similar to the US market and has embraced retailers with JILERP allowing for the system to mature and stabilize.

Other exciting initiatives created to further increase awareness of lotteries are Lottery Results and Jumbo Mall. Lottery Results is a portal providing players with the latest results for many of the major lotteries. Also included are some great widgets like Result Simulator, which will tell the player if their numbers have ever won a major prize. Players also have the opportunity to pay a subscription to access SMS alerts and other premium services. The strategy behind Lottery Results is to build a database of players then when we're able to we offer tickets sales. See www.lotteryresults.com

Jumbo Mall is your traditional retailer but on the internet. The shop is focusing on technology offering a range of IT accessories, casual games and Lottery Results subscriptions. Our strategy is to reach out to potentially non-lottery players and provide them with a quick convenient way to purchase their tickets. The Internet is a very big place. One website is never enough to reach all your customers! Visit www.jumbomall.com

Jumbo Interactive has been retailing lottery tickets via the Internet for 10 years in the heavily regulated Australian market. We have all the experience and expertise to help you make your entry into this new sales channel a successful and profitable one not just for the lottery operator but also for retailers alike.

Jumbo Interactive Ltd has been a publicly listed company on the Australian Stock Exchange (ASX:JIN) since 1999. ♦



NEOGAMES

www.neogames.com

Global leaders of interactive scratch cards and lottery games

Since 2005, NEOGAMES has been at the forefront of the interactive soft gaming market. Being the first company to dedicate itself to the soft gaming market with the introduction of the first complete package of soft gaming solutions, NEOGAMES has been a leader and industry innovator. The Company is constantly expanding its offering staying one step ahead of all vendors. Keeping it simple and bringing back the fun is a motto shared by NEOGAMES, our partners and most importantly, the players.

Understanding what players want and keeping our solutions in line with that has made NEOGAMES the preferred lottery and gaming organizations provider for their interactive soft gaming needs.

Our offering of soft gaming solutions and services includes:

- Over 130 games divided into game categories such as Instant Win games, Lottery games, Bingo and Keno and others
- A complete suite of operational services
- A comprehensive state of the art platform supporting the needs of lottery and gaming organizations
- Custom fit solutions for different sales channels
- HTML5 Web-based solution for mobiles and tablets
- Marketing and Account Management expertise

With partners all over the world NEOGAMES prides itself on its ability to successfully engage with partners in different jurisdictions and to be able to accommodate the strict requirements of the different regulatory bodies.

Our partners also enjoy the benefit of our knowledge and expertise driven from our leadership in the soft gaming market. Our in house marketing and account management teams work closely with them to ensure that they have all the tools required to maximize revenues and ensure player satisfaction.

Our state of the art platform, “NeoSphere” enables us to implement the multiple Responsible Gaming standards required by the different jurisdictions thus ensuring that our most valuable asset, our players are well protected. NeoSphere comes with different operational modules, all tailor-fitted to the needs of our partners and designed to assist with the unique requirements and characteristics of interactive players.

To meet the growing mobile market demands NEOGAMES launched its HTML5 web-based solution in 2011. By utilizing the technology embedded within HTML5 we deliver an outstanding game experience anywhere, anytime.

With over 250 million Instant Win games sold worldwide every month, through our network of partners, NEOGAMES has become a leading gaming technology and service provider serving the online industry with innovative technology, entertaining content and highly professional services. ♦



POLLARD BANKNOTE

www.pollardbanknote.com

With over 25 years focused on serving worldwide lotteries and their customers, Pollard Banknote is the lottery industry's most trusted and reliable full service partner. With a sole focus on instant tickets and a commitment to helping clients achieve their goals, Pollard Banknote aims to understand unique client requirements, however big or small they may be. As a result of this personalized service, over 50 lotteries world wide have put their trust in Pollard Banknote's expertise and proven track record for driving growth.

What started as high security printing at Pollard Banknote has since evolved into art design, game programming, pull-tab games, sales support, and a growing portfolio of licensed games. Pollard Banknote tickets themselves, have the utmost in quality and security as well as featuring special elements such as our patented Scratch FX®, Spectrum FX® and Shine FX™.

Looking forward, continued evolution and growth for the future is evidenced by the commitment to innovation and technology. With the newly launched innovations group, Pollard Banknote continues to be at the forefront of the lottery industry with exciting products such as the industry first 'Social Instants' program, which integrates instant tickets with the power of mobile technology and social media.

Pollard Banknote clients also enjoy services such as world class market research to provide in depth analysis and insight into a lottery's consumer base. Moreover, the in house marketing team uses this research to provide clients with a tangible, detailed, and specific marketing recommendations aimed to effectively reach both new and existing players. To handle the increased distribution and sales, the proprietary Lottery Management System is available to clients, which includes warehousing, distribution, telemarketing, financial reporting, and validation—all housed within one simple user interface.

Listed on the Toronto Stock Exchange (TSX: PBL) and with five plants in North America, total operations encompass over 510,000 square feet and employ over 1,000 people. As a member of the North American Association of State and Provincial Lotteries (NASPL), World Lottery Association (WLA), the Asia Pacific Lottery Association (APLA), and the Latin American Corporation of State Lottery and Betting (CIBELAE), Pollard Banknote is also committed to the growth and sustainability of the overall lottery industry through the pursuit of partnership, excellence, and innovation. ♦



SCIENTIFIC GAMES CORPORATION

www.scientificgames.com

Scientific Games Corporation is a leading provider of secure, high quality, player-engaging products and services to over 300 lottery and gaming organizations around the globe.

For nearly four decades, Scientific Games has been at the forefront of the lottery and gaming industry. Beginning with the introduction of the world's first secure instant lottery ticket in 1974, Scientific Games has been a leader in creativity and innovation.

Scientific Games created a number of inventive industry "firsts" that helped advance the marketplace, many of which were developed as customized solutions to meet the unique needs of our customers. This innovative and customer-driven approach makes Scientific Games successful in the lottery and gaming industries, and drives all of the Company's endeavors. Through the dedicated efforts of 3,500 employees, Scientific Games provides a full spectrum of gaming products and services to customers throughout the world, including:

- Instant game design, manufacturing, systems and services – including electronic instant games securely linked to printed games
- Lottery gaming systems, terminals, draw games and operations services
- Internet, mobile and other interactive games and solutions – including players clubs, loyalty programs, subscription platforms, 2nd Chance games, electronic draw and instant games, and poker/casino-style games
- Extensive portfolio of licensed properties for lottery games
- Marketing and research services
- A comprehensive video gaming suite – including systems, software and terminals
- Server-based interactive gaming machines and associated gaming control systems
- Amusement-With-Prize (AWP) and Skill-With-Prize (SWP) betting terminals
- Leading sports betting solutions

Scientific Games serves customers on six continents with state-of-the-art manufacturing and operational facilities in North America, South America, Europe, Asia and Australia, and through additional facilities located throughout the U.S. and around the world based on customer requirements.

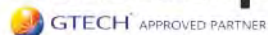
The Company has global experience supporting customers in existing and emerging jurisdictions and has a demonstrated track record of complying with strict protocols of international regulatory bodies.

Scientific Games is committed to the highest level 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 Atlanta, Georgia; Montreal, Canada; 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.

With nearly 40 years of proven experience, Scientific Games brings value to customers through creative and responsible revenue-enhancing game content, secure product offerings, and the proven ability to deliver state-of-the-art technology and network solutions to customers worldwide. For more information, visit www.scientificgames.com. ♦

LOTTERY EXPO

GeoSweep

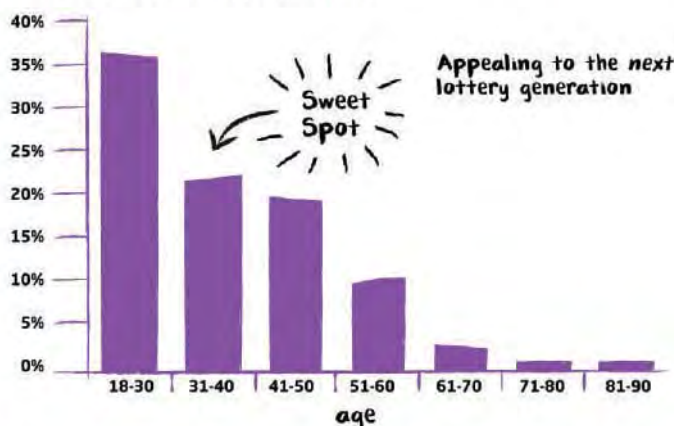


GEOSWEEP

Genuinely new lottery games with player demographics like this.

GeoSweep. GTECH Approved.

WLA Member." www.geosweep.com



ADVANT GAMES

ADVANT GAMES is your agile partner for gaming innovation, player behavior analysis, research, and corresponding technologies.

Our unique offering combines software, services and consultation, into solutions for player-centric gaming products. A hands-on approach and fresh thinking help challenge the existing, and create new business opportunities for our clients. We collaborate with gaming operators, their technology partners and academic research institutes. Advant Games originated from extensive research and development collaboration with the Finnish national lottery Veikkaus Oy and the renowned Tampere University of Technology. Today, the privately held enterprise serves a growing international clientele in the gaming and research industries. Advant Games is an associate member of the World Lottery Association (WLA) and the European State Lottery and Toto Association (EL).

THE LOTTERY INNOVATION NETWORK (LIN):

- Advant Games hosts a subscription-based innovation hub for regulated lotteries (WLA and regional lottery association members). LIN offers exciting twists for current products and the means to create appealing games for the next generation of players.

Solutions:

- **AdvantLabs:** A tool for creating interactive research experiences and managing web campaigns. Enables market testing both digital and retail gaming innovation with live audiences.
- **TiltCtrl:** A responsible gaming solution to detect and prevent tilt in online poker, resulting in increased player lifetime value. Based on extensive player behavior analysis.
- **Advant SGE:** A pioneering Social Gaming Environment – digital content distribution channel.

Services:

- **Game development:** Creating, designing and implementing gaming innovation. A unique player-centric approach.
- **Data analysis:** Player behavior analyses and player segmentation. Optimization of existing products with advanced simulations.

- **Consultation:** Systematic innovation processes, New Product Development, gaming technology. www.advantgames.com



LINQ3

POWERING INNOVATIVE LOTTERY SOLUTIONS

Linq3's secure payments platform transforms existing unmanned POS locations into highly interactive access points for sale of lottery products. By leveraging existing hardware, securing transactional data and communications, lotteries can now have a unique opportunity to think outside the traditional terminal. The Linq3 solution works in partnership with existing lottery networks, allowing lotteries to efficiently reach a greater market, interacting with players in a brand new way.

In collaboration with state lotteries, their operators, and the nations leading ATM and payment kiosk manufacturers, their owners, and the payment card industry, Linq3 has developed the secure protocol for lottery transactions on ATM's, fuel pumps, taxis and other unmanned points of sale. Linq3 enables lotteries to achieve massive sales growth at a low cost through increased distribution channels that not only reach new players but also reach occasional players sooner. The Linq3 solution promotes a new level of interactivity for the player and lottery. A dedicated web interface, 24/7 call center support and detailed state reporting and security compliance and responsible play features are just some of the benefits to the Linq3 platform. Optimized performance is achieved through state of the art processing and data security. It's secure, it's scalable, and it's ready to change the distributional landscape for lottery products. www.linq3.com

Tipp24.de

TIPP24

Founded in 1999 in Hamburg, Germany, Tipp24 SE holds equity interests in a number of companies across Europe. Inspired by the vision to become leader in the sales of interactive state-licensed lotteries, Tipp24 SE has collected lottery tickets worth over 1.5 billion Euros contributing more than 500 million Euros for good causes and taxes.

Tipp24 SE provides full gaming service solutions to National Lotteries around the world, is compliant with the highest regulatory standards in the various local markets, and has a proven track record in generating high value in the lottery market.

With 12 years experience in serving business partners and end consumers of lotteries, Tipp24's competitive advantage is its focus on this one core competency: all its resources are focused exclusively on interactive lotteries and all its expertise dedicated to the success of National Lotteries and the funding of good causes. Tipp24 clients depend on its reliability, advanced technology, strategic intelligence, and commitment to building a long-term partnership. Its best in class IT platform and leading marketing experience result in optimal business performance for the operator and optimal player experience for the consumer. Tipp24 SE is listed in the SDAX of Frankfurt's stock exchange and has recently announced to exceed its own forecast for the fiscal year 2011 reaching consolidated revenues of EUR 142 million and EBIT of EUR 50 million.



Lotteries and Internet: What about Social Media?

By Philippe Vlaemminck & Beata Guzik

The internet provides Lotteries massive opportunities to enter into new ways of distribution. On both sides of the Atlantic, there is today consensus that Internet is a useful, and almost everywhere a legal, means of distribution for Lottery operators. This appears clear from the ruling of the Court of Justice of the European Union in the French Zeturf case and from the recent opinion of the U.S. DoJ. Both approaches are strongly supporting the essential government competence to regulate and oversee the lottery activities and the use of Internet. However, as we all know, the political and legal battle on both sides of the Atlantic far from being ended. Opponents of the Lotteries and the Good Causes model they stand for would still prefer to see the Internet opening up gambling activities to a larger world in order to increase private profit. That this will cause damage to the Lotteries, and also to society as a whole, is clear. Nevertheless, we need to continue to communicate our message to our current stakeholders, and to the generation of the young adults.

This brings us to another dimension. Internet is indeed a tool of mass entertainment and social communication. As Lotteries address a large, undefined group of people to entertain them with low-risk products for the benefit of society, they are at risk of seeing their consumers move into new so-called “free” games, offering various forms of entertainment to a large group of mostly young adult and modern consumers. Those people are not necessarily understanding the message and role that Lotteries perform for society, but they are essential for the future of the Lottery business. The reason they do not perceive lotteries as playing a meaningful role in their social media circles is that Lotteries do not use their (social) media platforms enough to communicate their message. Too, often the discussion about how to bring/keep young adult players on board is focused solely on marketing and product development. But this new generation wants more. They want to understand why we do this. The world economic crisis is creating a generation which is simply more critical of business, more discerning about who they do business with, and yearn for a deeper affiliation with the people they do business with. They understand and use the power of the social media, often to express critical notes, to influence business operations, and to assert a political voice.

Social Media are a threat and an opportunity, depending on how we look to these tools and platforms. Facebook is launching an IPO. Zynga CEO Marcus Pincus has stated clearly his intention of getting into internet gambling. It is clear that social media gaming will play an important role in the way gambling and lottery evolve. Countless articles are appearing on the Internet talking about the impact of social gaming on Facebook and the potential of real money gambling for social media sites. On-line poker operators in the UK say that they explore the way to use social media for real money gambling³. According to some articles, I won't take long before the step towards the US market would be taken. Remote gambling operators, especially from the UK, are preparing to look for access to the

US market.

In the meantime, several Lotteries are on social media and use it as a tool to keep their customers informed about events and everything the lottery is doing. That's good. However, the message needs to be expanded to address the wide variety of interests that the socially networked player wants. We need to develop relationships with our players that will compete with the likes of Zynga and other “free” games.

Social Media can provide the “connective tissue” so often quoted in studies analyzing the previous US presidential election campaign where the use of social media has for the first time been embraced by election strategists. It brought together the old and the new, made participation easy for a much wider audience than ever before, and many would say influenced the outcome of the presidential election.

In the European Union, a law professor posted an article with the question: “Why the Court of Justice of the European Union should embrace (some) social media”. The title of the article was; “let's make the European Court tweet!”. Using social media could inject openness into the EU judiciary. Both the US Supreme Court and the UK Supreme Court opened twitter pages. Now, other EU institutions are exploring ways to bring their message to the broader group of stakeholders so that they have a better understanding of the legislative activities.

Lotteries all around the world and their various regional associations, including NASPL, European Lotteries, and the World Lottery Association, have a growing political and regulatory task and need to strengthen both the cooperation and the advocacy to their stakeholders as well as the political and judicial institutions. Isn't it time to use the Internet, and more in particular the Social Media platforms, to actively reach out to their audience, to use the connective tissue of these media to enhance their message?

We are working hard to strengthen the cooperation between Lotteries by developing the social network of lawyers and enlarging the debate. The WLA has an open forum on LinkedIn. We intend to set up a more focused direct group linking lottery lawyers and public affairs experts around Europe and the world to have a more structured dialogue with each other. The Belgian National Lottery has a large experience in using the social media in their stakeholder relations, and monitoring what is said about them on social networks. That is what we equally need to do a larger scale on both sides of the Atlantic.

Our Altius team is also working on this two dimensional programme of internal and external communication. The idea is to use this in order to deliver our regulatory ideas, solutions and answers to a broader group of stakeholders who would like to depend on us to help them keep informed of these issues. We want to embrace social media and use the vehicles and tools it provides to the benefit of Lotteries and their vital role in society. ♦

Philippe Vlaemminck is a Brussels based lawyer widely regarded as a leading player in the current debate on gaming and gambling in the EU, and has been involved in every gambling case before the CJEU and the EFTA court. He advises many lottery operators since more than 25 years. He also advises European Lotteries. He joined the ALTIUS partnership on 1st July 2011, where he heads the EU Regulatory and Trade Practice. (e-mail: philippe.vlaemminck@altius.com)

Beata Guzik is working for the EU Regulatory and Trade Practice of ALTIUS and is currently involved in the work on developing social media for Lotteries in the EU (e-mail: beata.guzik@altius.com)

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Being the leader in developing and installing video lottery terminals across multiple jurisdictions has enabled us to pioneer new technologies within the space. Our innovations, such as the industry's first interstate Wide-Area Progressives, have given players the most rewarding experience in the category. And a more exciting experience for the player means more repeat business for your establishment. [Contact your IGT Account Manager for details.](#)



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