North Carolina Education Lottery Launch

Michalko on Technology

EXPO ILAC

International Lottery & Gaming EXPO and ILAC Congress 2006

Wynn Las Vegas

July 10-13, 2006

Cost Cutting Measures • Lottery Links and Banner Ads

Good Causes.

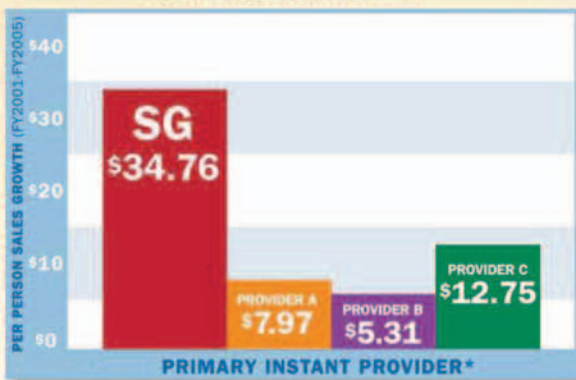Natural resources & tourism

Education programs

Health & welfare

Senior assistance

Good Choice.

Between Fiscal Year 2001 and 2005, the per person instant sales growth of U.S. lotteries whose primary instant ticket and services provider/partner was Scientific Games was approximately 173% higher than the instant sales growth posted by our nearest competitor in a similar role.

To our many customers, thank you for choosing us to be your primary provider/partner. We appreciate the opportunity to work with you in support of your many good causes.

Total Five-Year Per Person Instant Sales Growth by Primary Instant Provider*

PER PERSON SALES GROWTH (FY2001-FY2005)

$40

$30

$20

$10

$0

SG $34.76

PROVIDER A $7.97

PROVIDER B $5.31

PROVIDER C $12.75

PRIMARY INSTANT PROVIDER*

*The term "primary" means the provider supplies 80% or more of the lottery's instant games.

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On the Cover:
North Carolina Lottery tickets;
Intralot Asia-Pacific President
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P R O F E S S I O N A L

Features

Public Gaming International is now also available on the web.
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Industry News

Scientific Games Completes Essnet Acquisition, Contracts with Washington and West Virginia

Scientific Games has completed the purchase of the online lottery assets of Swedish firm EssNet AB for 460 MSEK or approximately $60 million. The acquisition adds seven states in Germany, the national lotteries of Hungary and Norway, Golden Casket and Tattersall's Lottery in Australia, and other national lotteries, to its portfolio of customers. Essnet's 2005 online lottery revenues were approximately 314 MSEK or $40 million.

In other news, Scientific Games was awarded contracts to supply instant tickets and related services for Washington State's Lottery and the West Virginia Lottery. The Washington contract runs for four years, with options for extensions up to a maximum of four additional years. It is valued at approximately $12 million and takes effect March 18, 2006. The West Virginia contract is for three years with two potential one-year extensions. The initial three year term is valued at $4.5 million.

MDI Signs Field & Stream

Rich in a tradition of quality outdoor apparel and respect for the wilderness, Field & Stream® is taking its place in the Lottery industry now that MDI Entertainment, a wholly-owned subsidiary of Scientific Games Corporation, has acquired the license to the historical brand.

"Field & Stream is a brand that speaks to a highly-sophisticated audience of outdoor enthusiasts and we're proud to offer this opportunity to our lottery customers," said Steve Saferin, MDI president. *"This license provides lotteries the ability to tap into a player base previously untouched, offers incredible merchandise opportunities and makes for excellent gift giving ideas."*

Under the multi-year agreement with Field & Stream Licenses Co., North American lotteries have the rights to the Field & Stream logo as well as a vast array of merchandise opportunities, a strong draw among serious hunters, fishermen, hikers, bikers, campers and sports fans of all kinds. Lotteries can now offer their players the most durable of outdoor wear and gear including Field & Stream hunting equipment, luggage, watches, sportswear, rustic furniture, and all terrain vehicles.

"From deer hunters to fly fishers to tailgate partiers, the Field & Stream merchandise prizes offered in this game are highly sought-after items," Saferin said. *"Why not offer lottery players the chance to add to their favorite past time by building a collection of high-quality items?"*

MDI actually sought out the rights to Field & Stream after extensive research showed a direct interest among outdoor enthusiasts and lottery players. For example, of the 33.2 million people who participated in fishing over the past year, 23 percent of them had purchased an instant lottery ticket within the same time frame. And of the 13.3 million who hunted, 21 percent had purchased an instant lottery ticket.

"Once we saw the data, we realized this was a dedicated audience of lottery players," Saferin said. *"Out of all the people in the U.S. who played an instant ticket in the last 30 days, nine percent have hiked or backpacked in the last 12 months, 14 percent have gone camping and 15 percent had gone boating. These numbers can't be ignored."*

GTECH Board Honored

For the second consecutive year, GTECH's Board of Directors has been named the Top Performing Board of Directors in Gaming by HVS Executive Search, a global consulting and services organization focused on the gaming, lodging, and leisure industries.

JCM Gold Opens New Sales Office in Macau

Responding quickly to the growing needs of its customers in the region, JCM Gold (H.K.) Ltd. has opened a new sales office in Macau. The office will offer direct local sales and support, including product training, trouble shooting and maintenance. The office will sell and service the entire line of JCM products, including the World Bill Acceptor (WBA®), Universal Bill Acceptor (UBA™), Trident™ Table Safe System and Intelligent Cash Box (ICB®). The office will also offer TransAct printers, including the Epic 950™, which is available on virtually every modern game platform.

TransAct Extended by GTECH

TransAct Technologies, a leading producer of transaction-based printers, has signed a five-year contract extension with GTECH. The contract will now extend through June 2012.

American Idol Rocks Texas

The huge success of the hit reality show American Idol® is stirring up a buzz with lottery players in Texas, now that the Lottery has launched a new instant game based on the hit television phenomenon. Texas was the first state to carry American Idol, licensed by MDI Entertainment. The game hit the streets on Jan. 27 and as of early March was selling at about $1.3 million per week. The Hoosier Lottery also recently launched a $2 American Idol game. American Idol and the Fox TV Network recently signed an agreement that would keep the show on TV until 2011.

Scientific Games Revenue Up

Scientific Games reported that fourth quarter 2005 revenues were $202.9 million, up 11 percent from $182.6 million in the fourth quarter of 2004. Net income was $10.4 million or $0.11 per diluted share, after reductions for $19.4 million of unusual charges, compared to net income of $4.4 million or $0.05 per diluted share in the fourth quarter of 2004. EBITDA for the fourth quarter of 2005 was $39.4 million compared to $51.2 million in the fourth quarter of 2004. Full year 2005 revenues increased 8 percent to $781.7 million from the $725.5 million reported in 2004. Net income rose 15 percent to $75.3 million, or $0.81 per diluted share, after reductions for $26.8 million of unusual charges in the third and fourth quarters. EBITDA was $197.8 million in 2005, compared to $209.0 million in 2004. ♣

Norway

NORSK TIPPING SIGNS WITH OGT – Oberthur Gaming announced the signature of an exclusive contract with Norsk Tipping for the printing of its instant lottery tickets. This three-year contract includes two one-year possible extensions. The previous partnership between the two organizations, signed in November 2002, is sustained with the signature of this new agreement.

Mexico

MGAM TO SUPPLY APPUESTAS – Multimedia Games has been selected by Apuestas Internacionales S.A. de C.V., a subsidiary of Grupo Televisa, S.A., to provide traditional and electronic bingo gaming, technical assistance, and related services for Apuestas' locations in Mexico.

Apuestas was granted a permit by the Ministry of the Interior of Mexico to open 65 facilities throughout Mexico to operate bingo and sports books. Pursuant to the agreement, Multimedia will initially train Apuestas personnel in traditional bingo games, and provide all of the electronic bingo units for the first facility, which is expected to open during the second quarter of 2006. After the initial six months, Multimedia will provide 70 percent of the units in the establishments opened by Apuestas.

During calendar 2006, approximately 10 facilities are expected to come online. In addition to providing electronic bingo units and related services, Multimedia will install its MGAMe® System, including full-featured player tracking software, in each of Apuestas' facilities.

UK

EUROMILLIONS BOOSTS UK – Euromillions helped to boost UK National Lottery sales by 6.6% to a record €616.4m last year. The sales increase was the Lottery's largest since 2001. Beneficiaries received €203m, an increase of 6.3% on 2004. EuroMillions sales reached €59m.

CHARIOT TO IMPLEMENT TRUSTED DRAW – Szrek2Solutions LLC and Chariot (UK) plc have finalized a license and services agreement that will implement Trusted Draw™, an electronic draw and audit system offering the most advanced random number security available to the gaming industry. Trusted Draw will be used to generate the draw outcomes for the charity games offered by Chariot to lottery players in the UK over the internet platform, supplied by Betware of Iceland. Chariot will use audit functionality in Trusted Draw to verify the integrity of the draw outcomes and of the winner selection process, to ensure that utmost safety measures are taken to protect properness of the games.

France

LDJ MUST SEEK NEW APPROVALS – A new rule calls for La Francaise des Juex to submit its plans for new products to the French budget ministry for approval each year. The company will have to provide a description of the games, along with details of the expected turnover and the likely impact that they will have. The Lottery also has to provide, within the next six months, a plan for preventing excessive gambling and encouraging responsible play.

Hungary

SCENTED INSTANT TICKET IN HUNGARY – Szerencsejáték Zrt. is launching a new instant ticket called Virág (Flower) in April 2006. Five-million units of the die-cut ticket was printed by Oberthur Gaming Technologies. While the ticket was designed by Oberthur, most of the photos used in the design were taken by a Szerencsejáték Zrt.'s employee.

The main attraction on the ticket is that after scratching off the latex (the flower on the ticket) a discrete rose scent can be smelt. The ticket is printed in four designs with different background colours (rose, peach-blow, purple, green) and different flower photos (rose, blue-bell, field pansy). The ticket costs 150 HUF (appr. 0,6€) and its top prize is 5 million HUF (appr. 33 000€).The odds of winning are 1:3.19.

Szerencsejták is using the tickets to target mainly female customers, as well as those who prefer to give instant tickets as gifts.

Malawi

MALAWI LOTTERY LAUNCHED – Malawi's first lottery, African Lottery Limited, reportedly launched with several outdoor events aimed at creating consumer awareness. The company initially launched two instant scratch games, Shoot and Goal, and a nationwide Lotto game is expected to launch in the next few months. ALL is reportedly working with technology partner Editec, who has supplied the hardware and software to operate the lottery, as well as providing operational expertise. ♠

Racinos
An International Lottery Players' Survey

By Phil Kopel, President Kopel Research Group, Inc.

KOPEL RESEARCH GROUP INC.
Worldwide Targeted Marketing Research

The traditional horse and dog racetracks have been coming under financial pressure largely because of the growth of Indian casinos, Internet casinos and Riverboat Casinos as well as the effects of the government sponsored Lotteries. Many of these racetracks believe that their future existence is tied to expanding their offerings to include activities historically limited to casinos. This trend is happening not only in the United States and Canada but also in Europe and Australia.

This article explores the Lottery players' perspective in regard to racetracks and the future trend toward "racinos". This is an important issue for Lotteries since in most cases; a portion of racino revenue would be channeled through its jurisdiction's Lottery.

The survey was comprised of approximately 2,000 members of KRG's international marketing research panel, 66 percent are from North America and 34 percent are from Australia, Asia and Europe. The panel is 50 percent male and 50 percent female and age distribution is 35 percent 18-34 years; 50 percent 35-54 years; and 15 percent 55+ years old.

The findings presented below identify differences in appeal across market segments. All differences cited are statistically significant at the 95 percent level.

Race Track Behavior

About 55 percent of North Americans, 70 percent of Australians and 45 percent of Europeans and Asians say they live close enough to a horse or dog racing track to go, if they so desired.

Overall, more than 70 percent of adults that live in proximity to a racetrack have been. Among Australians that live in proximity to a track, more than 80 percent of them have gone to the track. Respondents over 55 years old are more likely to have been to a racetrack than those younger, a sign that Racetrack popularity has been waning.

Approximately 90 percent of those that go to a track wager on the races.

Among those that live in proximity to a racetrack but have never been to one, more than 35 percent say they prefer to wager in other gambling venues such as casinos, Bingo halls or Jai-Alai and 25 percent said they do not like to bet on races. Only 14 percent said it was because they do not gamble.

Racino Interest

Among the international ePanel of respondents (both those that have been to a racetrack and those that have not), the majority said they think that the racetracks should be allowed to offer other gambling activities beyond local horse and dog racing.

Chart 1 presents the breakdown across key market segments of the ePanel.

The results show that ePanelists that are Males, residents of North

Chart 1 - Should racetracks offer gambling activites other than local horse and dog racing?
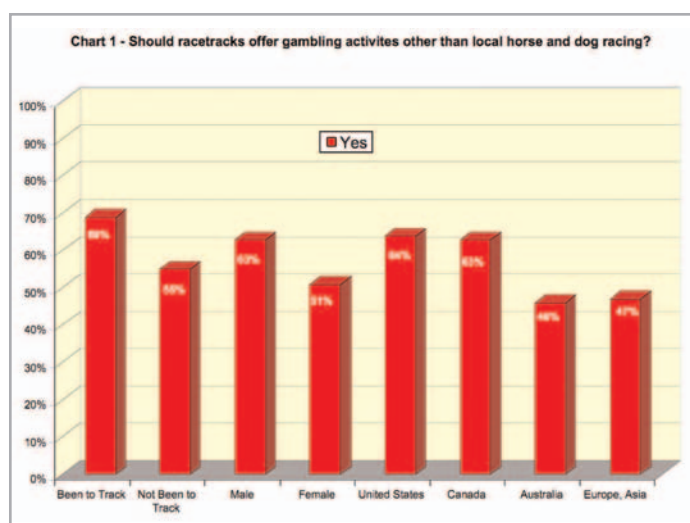
America and those that have been to a racetrack are more in favor of racetracks offering additional gaming activities than their counterparts.

Racetracks that morph into racinos may add only slot machines or they could become full casinos depending on how changes in legislation grant them their new authority. Among ePanelists who are positive toward racetracks offering other gambling activities, slot machines would be the most popular addition.

Chart 2 presents a breakdown of interest in each activity.

It is important to note that as many as 71 percent of respondents that

Chart 2 - Specific gambling activities respondents would like offered at Racetracks

Chart 3 - Recommended Places to Earmark Revenue from Racinos

(Bar chart values: Education - general 64%, Special causes 45%, Elderly 39%, Economic Development 29%, College Scholarships 22%, Local government use 12%)
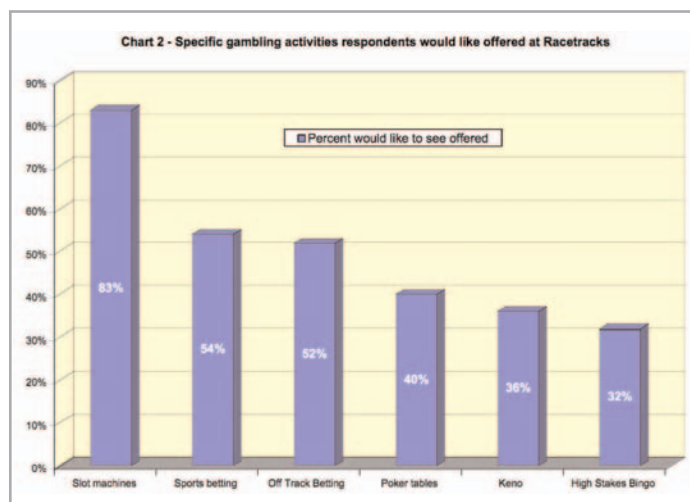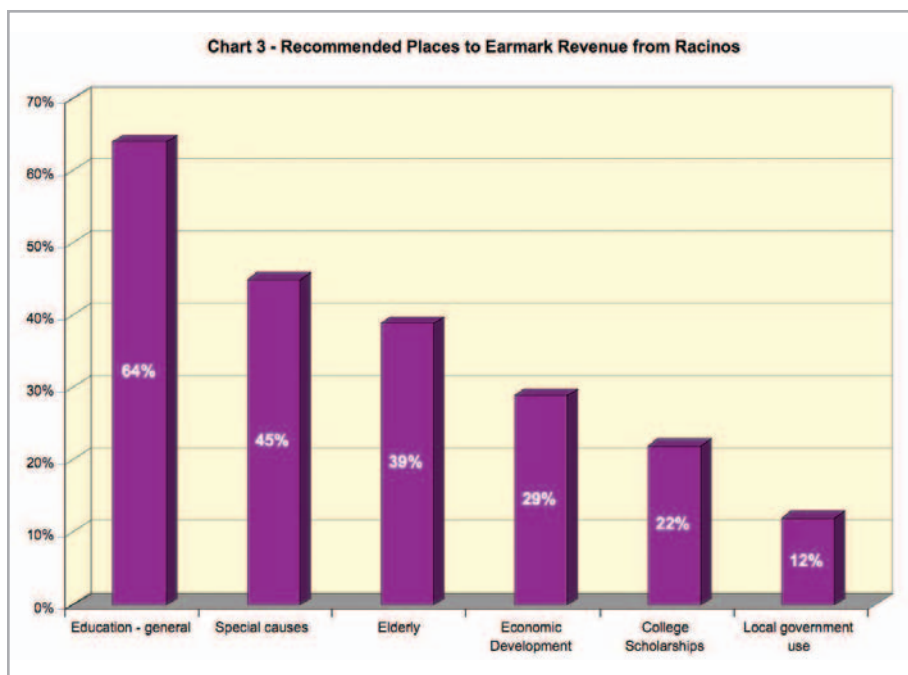
have not been to a racetrack before, who favor expanding gambling activities and live close enough to a racetrack to go, said they would go if these activities were offered.

Respondents were asked where they would like to see the new revenue used that has been raised from the additional gambling activities. Respondents were asked to make two choices from a list of options. The results are shown in Chart 3.

Education is the most popular choice. However, as a second choice, a large percentage would like to see the revenue be used to support special causes. There are a variety of causes that are often under-funded and legislatures may want to look at them as part of their enabling legislation.

The more frequently chosen special causes mentioned include the following:

- Aids Research
- Arts
- Diabetes, Epilepsy, Cancer, research…
- Health care
- National Debt
- World Aid
- Animal Rescue Charities
- Environmental agencies i.e… WWF
- Gambling addiction
- Homeless
- Orphanages
- Youth programs

Summary

As racetrack owners feel pressure to expand into other gaming activities to stay solvent, legislators will be asked to grant new powers to them, turning generally "accepted" racetracks into casinos. This research shows that racetracks may expect a significant increase in the daily traffic when gambling activities, such as slot machines, are added. Racetrack owners have stated that part of the reason a racino can be more attractive to patrons is that a portion of the slot machine revenue would go toward increasing the purse of the horse races. Also, the other key benefit often cited is that a portion of the proceeds from the operation of such gambling activities would go back to the jurisdiction through the Lottery. The outcome may well be a very symbiotic relationship. ♣

The Author: Philip Kopel, is President, of Kopel Research Group, Inc. www.kopel.com. The company provides a variety of lottery market research solutions, including; ePanel management, game and player segmentation analysis, game mix optimization, sales forecasting, benchmark studies, and retail agent feedback.

Internet Study: Lottery Links and Banner Ads

At SMART-Tech 2006, a member of a U.S. lottery asked a handful of questions about how other North Amecian lotteries advertise their websites. This person asked the following five questions, which *Public Gaming International Magazine* then passed on to other U.S. lotteries:

1. Does your Lottery advertise via banner ads on other web sites?

2. Do links to your Lottery website appear on non-government websites?

3. What problems do you encounter when trying to place banner ads or links?

4. Is there now, or was there ever concern that political entities might see your banner ad or link on a site as an endorsement of the site it is on, or even an endorsement of other banner ads or links that appear on the same page?

5. Has your banner ad and/or links program proven to be successful?

One respondent contended that most web consumers are probably savvy enough to recognize that a banner ad is a banner ad, and that ads that appear together in a print publication do not necessarily mean that the advertisers endorse each other or even the content of the page in which they appear. That is an excellent point, that most reasonable people would agree with.

At the same time, while it's highly likely that the vast majority of web users understand this same nuance, lotteries have several political forces working against them that would be happy to use any means at their disposal to attack lottery operations. We at Public Gaming International Magazine feel it's very important that lotteries know how other jurisdictions are advertising on the Internet.

British Columbia

In regards to banner ads, BCLC advertises on sites that allow for regional buys, i.e., restricted to British Columbia only. The Lottery also has a program that allows for links to the Lottery site from non-governmental websites. BCLC targets sites that meet its target market criteria as well as adhere to its advertising policies. The Lottery does not target sites that appeal to people under age 19 (the legal age to participate in gaming in B.C.). BCLC has not encountered any problems in trying to place these links or banner ads.

The Lottery has found that it's difficult to isolate a banner ad or link program directly to a key success factor as banner ads are usually part of a larger program that includes other support. BCLC banner ads exceed norms on click thru for sites in general and for gaming sites.

Iowa

The Iowa Lottery utilizes both banner ads and links on non-government websites to drive traffic to its site. One problem the Lottery has found with its program is that it must produce banner ads in a variety of sizes in order to meet web specifications on various sites. The Lottery closely monitors where it places its banner ads so that it knows exactly what is on the sites its ads are appearing on.

The Iowa Lottery believes it has been very successful in driving people to its website, but it also uses various forms of media (radio, television, banner ads, etc.) to promote it. It is difficult to say what avenue

Iowa VIP Recruitment

From January '04 through June '04, the Iowa Lottery saw a 1 percent drop in its VIP Club membership (a loss of 864 members). In an attempt to rebuild its member base, on July 1, 2004 the Lottery began a VIP Club New Member Recruitment Promotion. Ten members who joined the Lottery's VIP Club in July 2004 would win one prize of $104 in Lottery bucks and four tickets to Adventureland Amusement Park.

In its campaign, the Lottery received 1,329 entrants, 296 of which came from web banner ads placed on its media partners' websites. ♣

creates the biggest "buzz".

The Lottery is finding that it's becoming harder and harder to reach the 20-something demographic through radio and TV commercials, since today's technology (TiVo, iPods, etc.) easily eliminate such ads. Since more people are logging onto the Internet, the Lottery feels banner ads are gaining in popularity and effectiveness for its advertising and promotions.

Louisiana

The Louisiana Lottery Corporation advertises via banner ads on a limited and selective basis. The Lottery also allows links to its website from non-governmental entities. The Lottery does not attempt to control or "regulate" whether other sites link to the Lottery site, as long as the link is positioned as such and not as an endorsement of their site. The Lottery does monitor its top referring sites and nearly all of these are either search engines or news entities like TV and radio stations. The Lottery does not participate in any link-sharing offers and does not "promote" other commercial sites with its own links page.

To date, LLC has not experienced any issues when placing paid banner ads. For its most active online campaign, the Lottery has worked closely with the site to develop the online materials which include a variety of animated banner sizes and a large floating ad.

LLC is very selective in where it operates banner ad campaigns. The one site where it has placed ads in the past is a predominant online news site.

One of the Lottery's most successful online marketing efforts is an online/offline promotional partnership with Nola.com (the largest local web portal in the Lottery's largest market) and the New Orleans Times Picayune. The goal of the campaign is to promote the Powerball jackpot amount to non-traditional Lottery players when the jackpot reaches a predetermined trigger level. The plan includes both small spaced, high-profile print ads on page 2 of the newspaper on Tuesdays and Wednesdays or Fridays and Saturdays and a variety of online ads on Nola.com, all promoting the current jackpot amount. On Nola.com, a "floating ad" is served one time, to all of the "unique" visitors over the three-day campaign and an additional 350K impressions are served through a banner campaign.

Over the three-day effort, all visitors to the Nola.com site will see the ad at least once, and the additional impressions are designed to generate a minimum frequency of three exposures. These three day campaigns are executed when the jackpot reaches a specific trigger amount and begin on the Monday or Thursday mornings after the jackpot roll. By 10am, banners begin appearing on the website, and newspaper ads start the next day.

Success is measured in the high levels of awareness generated, and the 100 percent penetration of this unique, news-oriented target through a non-offensive, but impactful floating ad.

Minnesota

The Minnesota Lottery both advertises via banner ads and allows non-government websites to link to its Lottery site.

There has not been a concern voiced from any political entity that the Lottery's ads might be seen as an endorsement of the sites that they appear on. At the same time, the Lottery only advertises on sites that it would not mind being affiliated with. It does not use any websites with questionable content.

Based on the anecdotal feedback and PR lift received through its online advertising as well as general impression and click-through levels, the Lottery deems its advertising to be successful; however, there is always room for improvement in any program and the Lottery will work to make adjustments as necessary.

New York Lottery

The New York Lottery does not advertise via banner ads on other web sites, but links to the Lottery's website do appear on non-government websites. The Lottery only places links on sites run by established media or promotional partners. A significant amount of the Lottery's e-traffic is generated by some of these media partners.

Ohio

The Ohio Lottery utilizes both banner ads and links to drive traffic to its website, but it limits links to promotional or media partners. To date, the banner ads and links have supported promotional programs and have driven traffic to the Ohio Lottery website.

South Carolina Education Lottery

The South Carolina Education Lottery does advertise via banner ads on other websites, and it does allow links to the SCEL website to appear on non-government sites. The banner ads or links are for promotional items with these other entities and are only up for a limited time. The program has proven to be quite successful.

Texas

At the moment, the Texas Lottery doesn't advertise via banner ads, but it is currently evaluating the use of Internet advertising. In the area of Lottery links on non-government sites, television stations throughout Texas place the Texas Lottery url (www.txlottery.org) on their websites.

With regard to a potential Internet advertising strategy, the Lottery would choose the sites on which it would advertise very carefully to ensure that the audience reached by the site correlates with the Lottery's advertising efforts.

There is no metric in place to measure the success of links to the Texas Lottery website on other sites. However, in a recent player tracking study, 44 percent of respondents reported that they use the Texas Lottery website to obtain winning numbers.[1] (Please note this does not measure which players went directly to www.txlottery.org versus players that visited the site by a link.)

Virginia

The Virginia Lottery did limited banner advertising on the Internet for Mega Millions subscriptions during the Holiday season (November/December 2005).

In the future, the Lottery will give stronger consideration to the Web sites chosen for banner advertising. In the case of Mega Millions subscriptions banner ads, it may have erred by selecting Web sites with mass appeal. Lottery interests may have been better served by being more selective.

West Virginia

The West Virginia Lottery does not advertise via banner ads, but links to the Lottery's website appear on many non-government media websites at no charge. These sites have requested the right to place a link to the West Virginia Lottery site and the Lottery determines if they may or not, based upon the nature of the site. To date, the Lottery hasn't encountered any concern from entities that fear the links might be seen as an endorsement of these sites or other links or banner ads that might appear on the sites. ♣

[1]Ipsos-Reid Quarterly Tracking Study, Q1FY06

The D.C. Lottery's
Double Launch is One for the Money!

By Vanessa E. Newton, Writer/Editor, D.C. Lottery and Charitable Games Control Board

Something old. Something new. This is the dilemma many U.S. lotteries are encountering – an old game needs to be replaced by something new in order to maintain player interest and generate revenue to meet or exceed sales and profits.

Recently, the D.C. Lottery and Charitable Games Control Board (DCLB) faced this challenge and decided to take a non-traditional industry approach to removing and adding games to its product mix.

DCLB launched Hot Five™, an online game, on April 26, 1999. After six years in the marketplace, it was clear that something needed to change. So, DCLB decided to replace it with ROLLING CASH 5™. However, due to technical requirements, the game had to be released on November 20, 2005 – right during the busy holiday season, which is also the most expensive time of the year to advertise. Companies spend millions to entice consumers to buy their products, particularly big ticket items, so the question for DCLB was, "How do we cut through the clutter?"

Marketing and Communications Director Kevin Johnson knew that DCLB needed to capture the attention of its audience in order to make the ROLLING CASH 5 marketing campaign successful. *"It was necessary for the D.C. Lottery to advertise its newest game. We needed to make an impact in the marketplace, but the advertising costs for a 'traditional' launch during that time are very expensive, so we had to consider the other options that were available to us."*

Delaying the launch would mean that DCLB would lose revenue, which it could not afford to do. So, the agency had to re-think how to launch ROLLING CASH 5 and provide the marketing support that was needed for the game to thrive.

Johnson said the Lottery's goal was to design a media program for ROLLING CASH 5 with a limited marketing budget that would maximize the reach and frequency, while creating an initial player base for the game by retaining as many Hot Five players as possible. He said, *"In order to meet the established deadline of delivering ROLLING CASH 5 to the marketplace and staying within budget, the agency had to effectively manage the Introduction Phase, which is a critical component to the product life cycle for a new game."*

DCLB analyzed its product life cycle, marketing budget, new game launch trends, and other data to formulate two strategic options: a
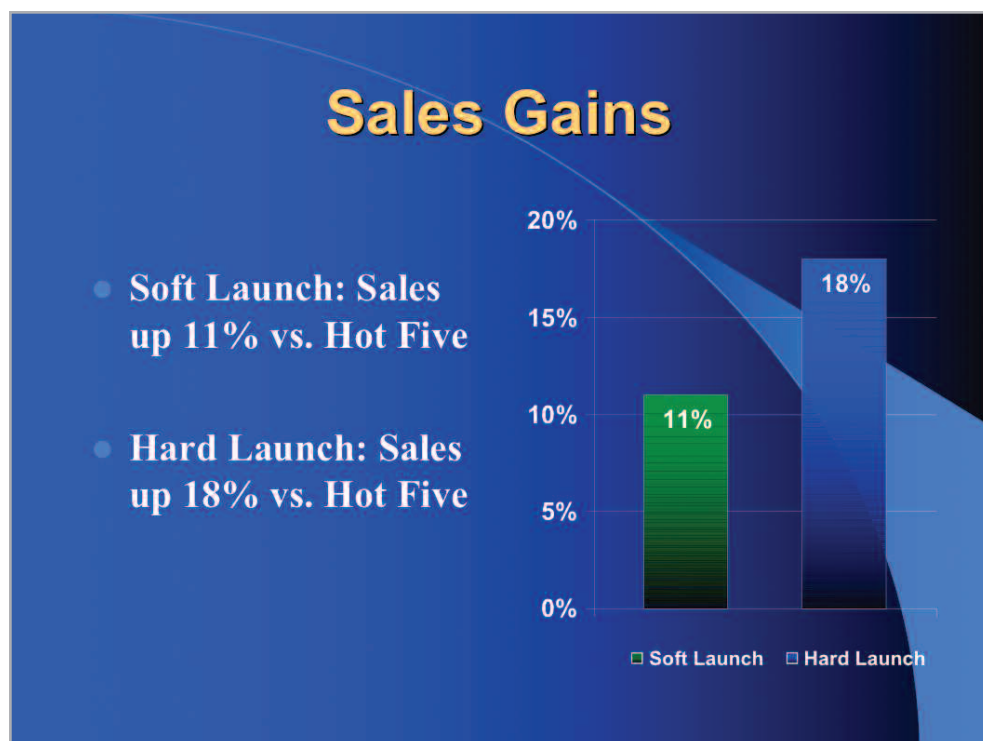
hard launch and a soft launch.

If DCLB kicked off its new game with a hard launch, then it would be competing for its audience's attention during a time when people are thinking about holidays, family, travel, weather, etc… With a soft launch, the agency would be able to take advantage of a lull in the hype-holiday media activities, which would be cost effective. *"When comparing the hard and soft launches, we considered the length of the campaign, reach and frequency goals, and the cost of media and support operations,"* Johnson said. *"And, we decided that we could maximize everything by having a soft launch followed by a hard launch."*

To cut through the clutter, DCLB started the ROLLING CASH 5 media campaign with a soft launch in November 2005. ROLLING CASH 5 point-of-sale material was placed in stores. Terminal and ticket messages had information about the new game, as did the Lottery's website at www.dclottery.com. DCLB also had a Buy X, Get Y promotion to capture players' attention at the register. This promotion helped to take the risk out of the early trial phase of the launch. In addition, DCLB's sales representatives diligently worked with Lottery agents to ensure that they understood the game and

offered it to the players. By making sure that the POS was correctly displayed in agent locations and talking up the game, the agency's sales representatives and agents partnered to create a buzz about the game in anticipation of the media activity that DCLB wanted to create with the hard launch in January 2006. *"We needed the Hot Five players to stay with us for six weeks,"* Johnson said. *"The sales representatives worked hard to make sure that they did."*

With the holiday season over, DCLB took advantage of lower advertising rates and less commercial competition. On January 2, 2006, DCLB started the hard launch component of the marketing strategy, and ROLLING CASH 5 rolled into the District in every medium – tv, radio, print, Internet, transit, and taxi tops. Johnson said the Lottery's market goal was 1500 target points with a reach goal of 90 percent and 16.5 percent frequency goal. *"We had to make hay,"* he said. *"We plotted where we had to be to meet the sales curves for a hard launch knowing that the first six weeks of any hard launch is a critical timeframe in a product's life cycle and a good indicator of the overall success of the game."*

To catch the public's attention, the Lottery embarked on an innovative campaign. The agency hired local D.C. music icon Chuck Brown, who is known as the godfather of go-go, to record the ROLLING CASH 5 theme song and star in the commercial, which was shot as a video with Brown performing around the city in front of popular neighborhood attractions. People loved the commercial. Whether they saw it on television, or heard it on the radio, they immediately recognized Brown and the D.C. Lottery's newest game – ROLLING CASH 5.

In addition to the paid advertising, DCLB reached nearly 700,00 people via free or earned media to promote ROLLING CASH 5. Chuck Brown interviewed on four different radio stations in January. The interviews varied in length from 4:46 to 11:53 and sometimes Brown was accompanied by the DCLB's Communications Department staff to help promote the game. Two local television stations aired packages on the making of the ROLLING CASH 5 commercial featuring Chuck Brown. *"You cannot buy this type of publicity because media outlets simply don't offer spontaneous product endorsements of five to 10 minutes. The earned media we garnered enabled us to stretch our reach, while remaining within our budget,"* Johnson said.

DCLB also increased market awareness through event marketing. The agency promoted the game at the Washington Auto Show, a major event that is held in the District. During the auto show on January 28 from 2 p.m. – 4 p.m., Chuck Brown was on-site at DCLB's booth autographing magazines and Chuck Brown bobblehead dolls. Players who purchased $5 or more of ROLLING CASH 5 received the bobblehead doll as a free gift. Hundred of fans lined up to spend a moment with Brown and as they waited, they were entertained by the ROLLING CASH 5 TV commercial playing on a nearby monitor.

At agent locations, DCLB sales representatives held in-store promotions, where they worked with the agent and terminal operators to push ROLLING CASH 5 sales. By working collaboratively and introducing the game to the players, as well as asking for the sale, the sales representatives and agents created a win-win situation for everyone. It was also another avenue in which DCLB was able to increase market awareness without using marketing dollars.

Did DCLB cut through the clutter? Yes. Sales during the soft launch were up 11 percent versus Hot Five sales, and hard launch sales were up 18 percent compared to Hot Five sales. To-date, the agency is forecasting a one year sales gain of 25 percent or more. *"We overcame obstacles to successfully add ROLLING CASH 5 to our product mix,"* said D.C. Lottery Executive Director Jeanette A. Michael. *"In spite of the timing, we were able to implement and execute a strategy that proved to be effective."*

Tradition is changing at DCLB. Combining a soft and hard launch enabled the agency to maintain its player base, while the jackpot rolled its way to more than $100,000 by the time the hard launch began. Johnson said, *"By waiting six weeks to do the hard launch, it allowed the jackpot to reach a point where it was attractive to our target audience and we had already created awareness in the marketplace."* Innovative strategies, cost-effective marketing, and employee and agent buy-in turned out to be a winner for DCLB. ♣

Technologies for the Games of Tomorrow

By Mark Michalko, President, Intralot Asia-Pacific

In order to predict the future with any sort of accuracy, it is important to understand the past. Only in the context of where the industry has been and where it is today, can we reasonably anticipate the marketplace of tomorrow.

Many of you know that my past includes a stint as the Founding Executive Director of the California Lottery, which celebrated its 20th Anniversary this past October. Looking back things seemed much easier back then.

The sales graph moved up and up and up! For many years, the industry, as a whole, routinely enjoyed year-to-year double-digit growth.

Things were going so well in those days that a Wall Street Journal editorial proclaimed Lotteries as "the growth business of the 1980s."

Although all start-ups are hectic, once the operation is going, activities eventually settle down. In California – like most start-up operations in those days – it seemed like all we had to do was introduce a new game to generate excitement and rekindle public enthusiasm.

Those were "heady days."

We were geniuses – or so we thought!

The formula for success seemed straight-forward enough. We would periodically introduce a new game, increase the top prize, and sit back and watch sales grow!

When the on-line games were introduced, sales took off again, but it wasn't long before we saw the first signs of a flaw in our theory.

For the first few months, Lotto enjoyed steady growth, but then we started to see sales begin to plateau.

We also discovered that we were not alone. Other lotteries were starting to experience the same phenomenon.

The cause was something which was new at the time, but is commonly understood today. It was the first hint of "jackpot fatigue."

We had shifted from a fantastic beginning when we received massive publicity about winners of even a paltry $1 million dollars, to a new era where ever-larger jackpots brought a "yawn."

The point is that while we can all agree that larger jackpots drive sales, we learned over time that they are not the panacea we "old-timers" believed them to be some years ago. And, jackpot fatigue is not the only problem facing lotteries today.

The "good news" is that today's lottery administrators have a much better understanding of the marketplace than we had in the past. They know that the playing public is not made up of a single monolithic group, but rather, many subgroups, each motivated to purchase a lottery ticket by unique and specific factors.

Today's lotteries offer a plethora of games, but nonetheless, keeping the public's interest is very difficult to do.

The "bad news" is it is getting more difficult each day.

There is no question that despite the issue of jackpot fatigue, most of today's players are motivated by jackpots. The very *idea of winning* a life-changing prize is the principal driver for many of the games. This is borne out in study after study, and all we need to do is look at sales in any state when the jackpot increases. The direct correlation between larger jackpots and higher sales is beyond dispute.

The key words in the preceding paragraph are "today's players" – with the emphasis on "TODAY'S!"

I don't know the statistics for any given state, but I believe it is universally true that in every state, there are:

- core players (who play routinely irrespective of jackpots);
- occasional players (those who play only when the jackpot reaches a certain level); and
- infrequent players (those who only play a couple of times a year.)

I would be willing to wager that the core players and the occasional players – those who make up the vast majority of sales – fit a certain demographic. Namely, they are, like me:

- getting a bit older;
- they've been familiar with lottery games for some time; and
- they are generally motivated by the simple notion of "winning a prize" – and NOT by any intrinsic enjoyment of the "playing experience."

HOWEVER, like the pari-mutuel industry found out the hard way – times change and tastes change, and it is unwise to count on such a core player base to sustain the lotteries for the long-term. The simple reality is that today's lottery players aren't going to be around forever. Both lottery administrators and technology suppliers must recognize that the FUTURE players will demand something new and different!

For the past several years, lotteries have had to contend with ever-increasing competition for the public's attention – and more importantly, the public's leisure and gaming dollar. The playing public today has more options than ever before.

In the "good old days", we positioned the lottery as "fun for a buck" and we carefully crafted our message to be politically correct. We always used the term "gaming" and never used the word "gambling."

We used to say that we were only competing with other forms of recreation – movies, cokes, and candy bars. We no longer have that luxury. Competition is keen and very aggressive!

Our competitors are not constrained by "political sensitivities" in the same manner as government lotteries.

They can be as blatant and aggressive as they wish. In my opinion, an essential element of a competitive strategy is to "play the same game."

I fully realize that this is easier said than done. Believe me, I have lots of scars on my back from fighting political wars with politicians who love to get headlines by publicly chastising lotteries for aggressive promotion.

The irony, of course, is that privately they want to get every penny transferred to the state coffers.

But ever-increasing competition is a harsh reality of today's marketplace, and there is a fine line between overly aggressive promotion and responsible gaming. It should be equally clear that the old "fun for a buck" concept is going to lose when the competition panders to the most basic human instinct of winning, winning, and more winning. The sooner the politicians who constrain your operations fully understand this, the better off you will be, and the better off the State's beneficiaries will be.

At the same time competition is increasing, lotteries must contend with another dynamic, namely the changing face of its players.

As with my comments pertaining to more aggressive advertising, I realize lottery administrators must walk a fine line between appealing to the X and Y generations and being criticized for turning our youth into lifetime gamblers. However, we must all understand that – unlike most of today's players – the new generation is not likely to be motivated entirely by the same factors as current players. This reality requires change in the lottery's business plans and operations.

Let's briefly explore the profile of the soon-to-be players. The first point is that today's teens and young adults are technologically-savvy. They grew up in an age of computers and interactive entertainment. They are NOT simply passively waiting for things to happen. They are actively engaged in every aspect of their environment, particularly when it comes to leisure and entertainment.

We had three TV channels when I was a kid. You watched what was broadcast, and if you didn't like it, you went out in the back yard and shot baskets with your buddies for entertainment.

Today's teens and young adults are far more likely to play with a "Game Cube" or an "X Box" or to use their leisure time playing an interactive computer game.

For music, they download their favorite songs and music video clips onto their "I-Pod."

The times have truly changed. Just look at the profile of today's young adult. Here are a few reminders of how different they are:
• Bottles have always had screw tops.
• The CD was introduced the year they were born.
• They have always had an answering machine.
• They have always had cable TV.
• They cannot fathom not having a remote control.
• Popcorn was always cooked in a microwave.
• They don't know what hard contact lenses are.

Tomorrow's player is very different from today's player. They have very different experiences, a very different frame of reference, and very different expectations. They are not just motivated by the chance to win a prize – even if the jackpot is large. And most assuredly, they are not about to drive to the local convenience store and stand in line to buy a ticket. They are far more used to doing all sorts of transactions via the internet, and through other technologies. The sooner we all start to deal with these facts, the better.

So, what do we do about this? The first thing is to find ways to EXPAND ACCESS to our games.

We all know that we live in an age of immediate and constant access to information. When it debuted many years ago, the concept of CNN's 24-hour news was considered by many to be Ted Turner's great folly. Now, you can access up-to-the minute news 24 hours a day, 7 days a week, anywhere in the world via your mobile phone or Blackberry.

Mobile gaming information should be no different. Many Scandinavian and some Asian countries already offer the ability to access their games via mobile phone, and the Internet.

It is common sense that in today's environment – where even we adults are tied to our computers and mobile phones for hours each day – that we should take advantage of these distribution channels to market and promote our games. For the new generation of potential players, this is especially true.

Solutions

The technology exists, so what is the best way to begin the process to transform lotteries to serve the new generation that is so critical to our future success? What about the cost of all of this new technology?

I am sure that some of you, particularly lottery administrators, are thinking that even if you can convince the legislature to let you provide mobile gaming, it may be cost-prohibitive.

One possible solution is that the Vendors could establish their own sites for purposes of providing new technologies. States can continue to operate their own on-line systems, but vendors can create "gaming sites" so that many lotteries can use the same system for

mobile gaming services. This can result in substantial cost-savings, and perhaps, can lessen the "political heat" if you can show that neighboring states are also participating in using the same system.

If you can't convince the legislature to allow you to participate in mobile and internet gaming based on the need to appeal to new players, perhaps you can provide them with another "reality check", namely cross-border selling.

With the advent of internet gaming and instant world-wide communication, it is very likely that cross-border selling will not only occur, but will become commonplace.

We all know that legislation prohibits this today, at least in the US, but in my opinion, it is only a matter of time before some foreign jurisdiction actually wins the right to sell its products in the US.

The "parochial attitude" that lotteries are the exclusive province of each given state will eventually give way to the commercial reality that governments of other jurisdictions will want to tap players around the world in order to increase revenues.

Content is Essential

Today's youth and young adults seek greater "experiences" with technologies. They don't just use technology as a means to an end, as we do, for example, when we send an e-mail.

Our goal is to get a message from Point A to Point B quickly and efficiently. Thus, for most of us, technology is simply something we employ that allows us to do our job better.

Future players see technology through a different prism. To them, an essential element of technology is that it *must engage them!* Technology, in the broad sense, isn't just some convenient device to enable greater productivity. Technology must *stimulate them!* It must capture their attention and keep it!

The ability to interact with, and theoretically influence, the outcome of the activity is essential. That's why X-Box and Game Cube and Computer Games are so popular. It will be no different when it comes to gaming.

In short, the next generation will play lotteries *for the stimulating experience* – not just to win a prize. *Content* will be essential. Great graphics, interactivity, and other features will be what draw the next generation to play.

As I said, we must all face the reality that we cannot stand pat. For lotteries, this means acknowledging that its core player base is aging, and that the next generation will only participate if significant changes in game design and new technologies are implemented.

At the same time, for supplier companies, this is a "wake-up call".

Most of us have been in the business of providing traditional terminal-based on-line systems and services – pretty much new and improved versions of what I first saw thirty years ago at the Ohio Lottery.

At least as far as my company, Intralot, is concerned – we have moved well beyond such traditional systems, to utilize many different platforms and devices to serve the needs of future generations

of players. But we're only able to help meet the challenges if we all work together. The technology exists, but we cannot simply implement it in isolation. It is essential that the technology providers and the lottery administrators cooperate to meet the challenges head on.

Competition

The incredible advances in technology have also resulted in an ever-increasing amount of competition. If you don't believe me, just go to Google and do what I did. I typed in the words "sports betting" and got 10 million 300 thousand sites!

These sites have become our new competition. Now instead of competing with candy bars and movies, we have the pervasive competition of on-line gaming.

And it is not just the fact that our new competitors are so pervasive. In addition, their websites have several advantages over lotteries. They are:
• feature-rich;
• visually captivating; and
• most importantly, they offer an "engaging experience."

These are the very things that will attract the next generation of lottery players.

The competition is already offering them.

They are making gambling an "experience".

If lotteries don't do the same, we will all wake up one day and wonder where our players – and their dollars – went.

The time for change is *now*.

Each lottery must ask itself these essential questions.
• Does my business model bode well for the future?
• Does it need to change?
• Can technology improve my opportunities for success?

The simple message is to "Let Technology Be An Enabler".

I have touched on the key elements of mobility and content. But the point is not just to "think outside the box" as we so often hear.

It is, rather, to *stay* outside the box once you get there.

Encourage your employees, particularly those who are younger and new to the industry to tell you what would motivate them to play. And establish a corporate culture within your organization that promotes creative thinking. Expand your reach. No one has a monopoly on the best ideas, so seek a true partnership with your vendors.

Most vendors have staff with tremendous experience. And they certainly have the technology to enable your future success – to take on the competition and to help you reach the future generations of players.

Of course, you should look to your vendors to supply the best technologies for today and for the future. But also look for them to do more than supply products. Look for them to be your *partners*.

You'll be amazed at what can be accomplished if we face the challenges together!

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North Carolina Education Lottery Begins

It's official – every state on the east coast has a lottery.

The North Carolina Education Lottery officially began Thursday morning (March 30) at 6am, with approximately 4,800 vendors statewide beginning to sell four different types of scratch tickets with prize amounts up to $100,000.

N.C. Board of Education Chairman Howard Lee purchased the first tickets (five tickets in all) early in the day. Onlookers had to wait and see if any of the first tickets was a winner, as Lee pocketed the tickets so that he could scratch them at a ceremony later in the day.

NCEL activated $11 million in tickets on launch day, with an estimated $8 million in sales.

"We are excited about what this means for education in North Carolina," said Tom Shaheen, executive director. *"Overall we are very pleased with the way everything came together on launch day."*

While day one brought the first ticket sale, day two brought the NCEL its first big winner – Richard Garland of Newton who won $100,000 on a $5 "Carolina Cash" ticket.

Sales remained strong through the first five days of launch as the Lottery sold $24.03 million, with approximately $8.4 million being set aside for education. Carolina Cash was the Lottery's top selling ticket, having generated $7.5 million.

Of course, March 30, 2006 marked the first of many launches to come for the NCEL. The Lottery has more games ready to launch once sales of the initial games slow down. In addition to instant tickets, the Lottery will soon launch online games, and expects to have Powerball running by May 30. Eventually, the NCEL expects to have more than 30 games running at a time.

Once the Lottery is running with a full slate of games, it is expected to raise $400 million annually for class-size reductions, school construction and scholarships.

NCEL Website Goes Live

The North Carolina Lottery has gone live with its new website to help players and retailers. This website will offer players an abundance of information including how to search for retail outlets by zip code and in the future, post the names of winners.

Also from this site, lottery players will be able to access information on how to play the games, the odds of winning in a game, frequently asked questions, hotline numbers and retailer information.

Players will have access to maps and directions to the Lottery's headquarters in Raleigh and the five regional offices in Asheville, Charlotte, Greensboro, Greenville, and the Wilmington prize claim center.

For winners who want to submit claim forms to receive their prizes, there is a downloadable claim form. The new site will also provide information such as how to contact the NCEL, news releases and employment opportunities.

For players, the hotline number is 1-877-962-7529 and for retailers the number to call 1-877-382-4530.

The new website was designed by Alter Imaging of Charlotte and will run simultaneously with the current site. The two websites will contain similar NCEL information and can be accessed from one another. ♣

E-ffective Relationship Marketing
Following the five E's to build excellent campaigns

So what does it take to attract people and build a loyal and profitable following using the web? The medium gives us entirely new ways of talking to players, but making the most of those ways is the challenge that eludes so many organizations. As the saying goes, "Constantly talking isn't necessarily communicating."

We all know the tools that are readily available – email, VIP clubs, internet-based research, contests. But making use of them in the most innovative way is what makes the difference between average and outstanding results. Having operated some of the most successful VIP clubs, relationship marketing websites and contests in the lottery space over the last seven years, we have derived five key tenets of relationship marketing that make the difference every time. Put simply, they provide indispensable guidelines that provide results never thought possible.

Entice Consumers

People today, with their email boxes full to the brim, their "bandwidth" at a premium, need relevance. More than ever before, consumers are responding only to messages that are seemingly targeted exclusively to them. Enticing them means giving them something they truly want… a tailored important message, an activity that they enjoy and care about and services that mean a lot in their busy lives. For example, this can take the form of unique email services that provide information tailored to a consumer's habits, or offering a contest that, rather than just asking for a set of numbers to be typed in a web form, continues the brand experience with a related activity.

Engage Them

The population as a whole is so mass-marketed today that the attention span of the average person has diminished to a mere sliver of what it once was. So, being relevant is important, but being engaging is what makes someone take pause. Once a consumer has taken the first look at something enticing and determined that what is on offer may be worth their while, what seals the deal is providing them with a gripping experience. A simple register to win contest may encourage people to sign up. However, an activity that immerses consumers in a riveting experience has the potential to significantly increase, in some cases by as much as a factor of ten, the exposure to the product and brand.

Entertain Them

In any great campaign, the level of entertainment is what makes consumers remember their experience. Entertainment takes many forms - a well designed survey can be entertaining, as can a research exercise on new and upcoming instant products. And of course, a highly engaging game that complements an existing product can also provide tremendous entertainment value. A campaign that is enticing and engaging as well as entertaining has a chance at encouraging 40 percent return rates and one to two month long brand retention.

Educate Them

While the consumer's undivided attention is focused on the campaign, a key opportunity exists to educate that consumer – what makes the lottery product on which the campaign is based stand out? How is it played? What other play options are there? An engaged and entertained consumer is one that is ready and willing to absorb key messages. It is imperative to leverage that level of attention to make the most of the time with that consumer through the campaign.

Enforce Robust Security

Enforcing security in internet campaigns can literally mean the difference between success and litigation. A contest or VIP club that requests personal information must be treated as securely as any transactional environment. As well, internet-based lottery contests and sweepstakes are held to the same high regard as any other lottery products by consumers when it comes to quality, integrity and security. Sophisticated technology to prevent unauthorized access to information and ensure the integrity of the entry and registration process are key to ensuring that internet campaigns become assets in a lottery's marketing toolkit.

As more lotteries begin to use the web as the relationship marketing medium of choice, approaching internet campaigns with the same care and attention to detail as other lottery initiatives is crucial to the medium's success. When the right tools are used and a clear strategic approach is followed, earning customer loyalty through the internet proves indispensable for many lottery organizations. ♣

Patrick Watson is Chief Executive Officer of SplashDot, the leading provider of relationship management and loyalty solutions to the Canadian lottery industry. As a recognized expert in relationship marketing, Patrick has been advising lottery organizations on how to build solid and profitable relationships with their customers since 1999.

SplashDot helps organizations build rewarding and profitable relationships with consumers through interactive online contests, sweepstakes and VIP/loyalty clubs. nCentive Suite 2005TM Lottery Edition, the company's software system, was recently recognized as PGRI Product of the Year.

Lottery Cost Saving Initiatives

Examining costs and trimming the fat is an important exercise in any business – none more so than with governmental lotteries. What follows are examples of what a handful of lotteries have done in the last few years to maximize their beneficiary dollars.

Colorado

The Colorado Lottery has introduced several cost-savings measures in the last year, reducing its ratio of sales to administrative expenses from 7.7 percent to 7.1 percent. The Lottery expects to further reduce this ratio in 2006. Among the biggest initiatives was the renegotiation of Scratch ticket contracts that helped the Lottery realize savings of approximately $1 million.

Of the initiatives implemented in 2005:
- Video conferencing between offices – The Colorado Lottery has two main offices – the headquarters in Pueblo and an office in Denver, about two hours north of Pueblo. By videoconferencing for regular meetings, the Lottery has significantly reduced travel expenses, which was especially helpful as gas prices rose astronomically in 2005.
- Reduced fleet of staff cars – By eliminating cars that required a lot of maintenance or didn't achieve good gas mileage, the Lottery was able to save $20,000 per year.
- Reduced Lottery Marketing Budget by $453,000 – The Lottery reimagined its marketing approach to Scratch games as well as Powerball, Lotto and Cash 5 marketing programs. One of the biggest savings came from developing a corporate "Quality of Life" television spot and using it for several families of Scratch games. In the past, the Lottery produced a TV spot for each new family of Scratch game. By using the same spot more than once, not only was the Lottery able to save on production costs, it also helped build the corporate brand – and the Lottery achieved the highest recall of a commercial in several years. A considerable amount of savings was as a result of assigning Lottery staff to perform work previously performed by contractors. The Lottery also reduced advertising agency fees by $5,000 a month.
- Ticket costs – Ticket costs were reduced by $286,990 by purchasing tickets with less expensive features, printing tickets for multiple games at the same time to receive a discount, and adjusting ticket orders to more closely match the actual need, reducing end-of-game write-offs.
- Other cost-savings measures included cutting down on out-of-state trips, and elimination of two high-level full-time positions.

Iowa

In Fiscal Year 2004, the Iowa Lottery went out to bid for new instant ticket and pull-tab vending machines. Instead of going to bid to lease the machines as the Lottery had done in the past, the Lottery sought to purchase the machines. As a result of its purchase of both types of machines, the Lottery estimates a total cost savings of $1.78 million over the six-year life of the machines.

Another example of Iowa's cost savings efforts happened in August of FY '06, when the Lottery moved into its new building. The move will save the Lottery approximately $1.03 million over the next six years. Again, the Lottery opted to purchase a building as opposed to leasing space.

Louisiana

The change with the most cost-savings impact last fiscal year for the Louisiana Lottery Corporation was a switch in the way the Lottery pays for its instant ticket printing from a cost-per-thousand basis to a percentage-of-sales basis. The Lottery estimates that this change alone resulted in a direct operating savings of $350,000. In addition, changes in game design, price-point positioning, game launch cycles and distribution enhancements have resulted in a projected 6.9 percent increase in instant ticket sales for the fiscal year.

This success with the instant product has been a shining star for the Lottery, since it was achieved despite significant disruptions to ticket distribution, its retailer base and player base as a result of Hurricanes Katrina and Rita.

Other laudable, albeit less impactful cost-savings, were achieved through a renegotiation of the Lottery's toll-free line contract to the tune of about $10,000 a year.

Finally, immediately after the two storms hit the Louisiana coast, the Lottery's retailer base was reduced by 40 percent. Faced with the possibility of a 25 percent drop in revenue, the Lottery cut its advertising budget, but at the same time made the commitment to its employees not to reduce its workforce.

At this time, the Lottery anticipates revenue will be just 4 percent under budget and it will end the year about $900,000 or 11.4 percent under budget for advertising. The Lottery plans to keep this reduced advertising budget for FY06, as it remains cautiously optimistic that sales will continue to rebound.

Minnesota

Operations at the Minnesota State Lottery were streamlined beginning in Fiscal Year 2003. From FY02 to FY05, these initiatives increased contributions to the state by more than $24 million, or 30 percent.

Operating expenses were reduced by more than $10 million, or

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Comparative Results of Streamlining Minnesota Lottery Operations from Fiscal Years 2002 to 2005 (In Thousands)				
	FY 2005	FY 2002	05 Vs 02	% Change 05 Vs 02
Advertising	$4,701	$7,550	$2,849	37.73%
Promotions	$2,365	$3,923	$1,558	39.72%
Salaries & Benefits	$10,080	$11,603	$1,523	13.13%
FTE	144	193	49	25.39%
Regional Offices	4	6	2	33.33%
Operating Expense	$22,571	$32,629	$10,058	30.82%
Total Paid To State	$106,176	$81,680	$24,496	29.99%

31 percent. Reductions in operating expenses during this time included a staff reduction of 25 percent; a 38 percent reduction in advertising and 40 percent reduction in promotions; and the closing of two regional offices.

Missouri

Scratchers initiatives – A number of new Scratchers innovations have helped increase Scratchers sales by 75 percent, from $267 million to $468 million during the past five years. Innovations include the introduction of multiple and higher price points and a wider variety of prize structures; unique promotions; a new ticket inventory and sales system that frees retailers' time, ensures retailers maintain a wider variety of products and minimizes inventory shortages; new retailer variable billing options that increases the number and volume of games retailers carry; and new ticket vending machines and dispensers.

Field services initiatives – Communications, service and productivity have been improved for Lottery Sales Representatives (LSRs) through a new retailer routing study and stratification plan, new technology including new portable tablets, printers and sales support software. These initiatives have reduced LSR mileage by 15 percent – 134,900 annual miles – for an annual fuel savings of $47,229 and saved 1.65 personnel hours per LSR every two weeks for an annual savings of $51,419.

Automated drawings – The Lottery's drawing of winning numbers was converted to computerized drawings in July 2004 to save the Lottery $109,000 on equipment replacement costs and more than $88,000 on annual production costs.

Draw show television partnerships – A new Lottery draw show broadcast partnership, which includes free air time in exchange for station promotion on existing Lottery billboards, on-line tickets, Web site and in-store POS, has secured $1.26 million in free television air time for the nightly drawings. Previously, the Lottery spent hundreds of thousands of dollars in direct payments and advertising guarantees to secure this time.

Ticket shipping cost reductions – The Lottery teamed with other state agencies on a combined distribution bid in FY05, which is saving the Lottery more than 10 percent, or $80,000, on annual UPS shipping charges.

Shipping box savings – The Lottery saved more than $134,000 on shipping boxes in 2005. Under the new UPS shipping contract, the Lottery is no longer charged for small shipping boxes, which saves more than $78,300 annually. Larger ticket orders require larger boxes, which are not supplied through the UPS contract. By recycling all larger boxes it receives for reuse in ticket shipping, the Lottery saved more than $35,750. The Lottery's Pull-tab boxes are also recycled instead of purchased saving approximately $11,274. The Lottery saved another $9,160 by purchasing larger obsolete boxes from vendors at a reduced cost.

Retailer Connection magazine printing and distribution – The Lottery is saving $9,000 annually by printing and distributing a more timely pre-printed, two-color, four-page monthly retailer publication with retailer ticket orders versus mailing a bi-monthly, four-color, eight-page magazine.

South Carolina

Operating Expense Control – SCEL's management has been able to continuously revise and improve its cost controls, with the result that its operating expenses/gross went from 5.61 percent in FY03, its first full year of operation, to 4.32 percent in FY05, and 3.59 percent in the current year to date.

Collections – It is well known among the retailer community that SCEL has a very aggressive collection policy. The Lottery immediately terminates the sales of any retailer who is not current with their billings and aggressively pursues unpaid accounts. By various enforcement measures, the Lottery has collected over $700,000 in delinquent accounts. The net uncollected balance from inception of the lottery is less than 2/100 of 1 percent of gross. At the end of the day, The Lottery's success is based on follow through, due diligence and gaining the respect of its retail agents.

Corporate Alliances – SCEL aggressively seeks partnerships with local businesses and corporations who have an interest in improving educational opportunities for South Carolinians. Revenues generated from sponsorships, direct financing, and in-kind contributions are used to offset operating expenses and increase transfers to the education fund. In FY 05, SCEL's Corporate Education Partnerships Program (CAPP) generated $334,035.04 in non-traditional income. Since its inception, the program has generated over $874,754.54 in non-traditional revenue. In FY 06, the lottery has been able to award cruises and cars provided by local businesses in exchange for co-promotional advertising opportunities.

Licensing – The processing of agent applications, renewals and change of ownerships can be time consuming and labor intensive.

Video News

WMS Powerball WAP Receives Nevada and GLI Approval

WMS received regulatory approvals from the state of Nevada and Gaming Laboratories International, Inc. gaming labs for its POWER-BALL wide-area progressive system and associated video and mechanical game themes.

WMS Gaming has recently installed POWERBALL gaming machines in four casinos as part of a company-initiated beta test of the new product for the next two weeks, after which it plans to aggressively commence the installation of the new progressive franchise.

As previously announced, WMS will introduce the POWERBALL franchise with its launch partner, Harrah's Entertainment, which has agreed to place a significant number of POWERBALL gaming machines at their properties. Harrah's has also agreed to work with WMS Gaming in supporting the new franchise with marketing and promotional programs in consideration of a limited exclusivity period in select markets.

Quebec to Acquire Stake in French Casino

Loto-Quebec is expected to acquire 35 percent of the capital of Moliflor, France's third-largest casino group. Moliflor's current owner, the UK investment fund Bridgepoint, believes the Loto-Quebec's expertise will prove useful in the development of its own casino business.

Saskatchewan VLT Study

The board of the Saskatchewan Liquor and Gaming Authority approved a plan to contract an independent researcher to conduct a study on the potential impact of reducing the number of VLTs in the province, as well as other steps such as limiting access to or slowing play on the machines. There will be over 6,700 gaming machines in the province when two new First Nations casinos are opened in Swift Current and the Whitecap Dakota First Nation this year.

Paltronics Installs First Multi-Property Media Network

Paltronics has announced that it is installing its first multi-property media network for the Agua Caliente Band of Cahuilla Indians gaming properties, Agua Caliente Casino in Rancho Mirage California, and Spa Casino in Palm Springs. The Paltronics One Link Media system located at Agua Caliente Casino will drive operations from its central system to Spa Resort Casino. It has the ability to communicate progressive jackpot levels and marketing content to both properties simultaneously.

Aristocrat Awarded Contract for Diamond Jo

Aristocrat Technologies was awarded a contract to provide its OASIS™ Casino Management System for the April 2006 opening of Peninsula Gaming's new Diamond Jo Casino in Worth County, Iowa – the first of four new casinos in Iowa to open under the state's gaming expansion. Along with an OASIS system, Aristocrat will provide 100 gaming machines for the opening of the new 60,000 square foot, 500-game casino, resulting in a 20% presence of Aristocrat's latest slot technology including Reel Power®, Money Honey™ and Mr. Cashman® Bonus Bank games and MKVI™ standalone games.

Autotote, Mohegan Sun Sign 5-Year Deal

Scientific Games announced that its subsidiary, Autotote, and the Mohegan Tribal Gaming Authority completed a five-year contract extension for Autotote to supply racebook services at the Mohegan Sun in Uncasville, Connecticut. Autotote has been the racebook supplier to the Mohegan Sun Racebook since it was developed more than seven years ago. This contract extension is valued at between $7 million - $10 million. ♣

Iowa

Iowa Legislators Ban TouchPlay Machines

It seems that the Iowa Lottery's TouchPlay saga is nearing its end. In March, the Iowa Senate voted 40-10 in favor of banning the Lottery's TouchPlay video pull-tab machines. The House followed by passing the bill, without amendments, by an 80-18 vote, sending the bill straight to the Governor, who signed the bill immediately after returning from a trade mission to India. The legislation calls for the machines to be turned off in early May. Vendors that don't comply will be fined for each day they keep the machines operating beyond the ban.

The ban is happening just as the machines appear to be getting more popular with players. Between Feb. 25 and Mar. 11 the machines took in about $30 million, roughly 12% of the $242.6 million sales the machines have brought since July.

There are 6,000 TouchPlay machines in 2,800 statewide locations. An additional 4,500 were to be installed. Before the Senate and House voted on the bill, Governor Vilsack indicated he might consider vetoing the bill if it looked like it would make the state liable for millions of dollars, but upon signing the bill the Governor indicated that lawyers for the State do not believe the government will be liable. As one might expect, some of the retailers are contemplating taking the state to court in an attempt to overturn, or at least stall, the ban. ♣

on the internet

Massachusetts Launches New Site

The Massachusetts Lottery recently launched its newly designed website. One feature of the site is a live ticker display on the home page with a running tabulation of the current number of winners. The site also has an interactive game called High Five Helper. For more, go to *www.masslottery.com*.

Intralot Expands Mobile Network in Moldova

Loteria Moldovei, Intralot's subsidiary in Moldova, awarded a new contract with Moldcell, a mobile operator in Moldova and Turkcell's affiliated company with which Intralot since 2003 has established a collaboration regarding its activities in Turkey.

The project in Moldova initially entails the operation of Lotto game through SMS and soon it will be broaden to other gaming applications.

The above mentioned contract was signed after a two years successful implementation of the same project with the leading mobile operator in the country – Voxtel, which holds the 64% of the local market. Now, due to this agreement, all the mobile users in Moldova will have access to lotto games offered by Loteria Moldovei.

BC Player Wins Big on PlayNow Site

The British Columbia Lottery just awarded its largest prize ever won online – $3,845,357.00 on Lotto 6/49! Gerald Benjamin of Victoria logged onto the BCLC's PlayNow website and bought his $2 winning ticket. He later received an email telling him that he had a "big win" and instructing him to contact the Lottery. Since its launch in October 2004, more than 30,000 players have registered for PlayNow where they can enjoy Lottery, Sports Action, Keno and SportsFunder Interactives games. ♣

RACINO NEWS

Scientific Games to Supply VLT System to West Virginia

Scientific Games will supply a new AEGIS-Video™ Central Monitoring System to the West Virginia Lottery. The CMS will run the lottery's network of 20,000 VLTs at four race tracks and 1,600 additional retail locations throughout the state. The contract runs for six years with four one-year option years. The contract is valued at $6.2 million over its initial term.

The new CMS will include both new hardware and software to run equipment from ten different licensed gaming manufacturers in the West Virginia network, and while it will upgrade to the Slot Accounting System 6.01 communication protocol, it will be compatible with legacy equipment using older SAS and IGT's ICIS protocols. The new system will allow the lottery to rapidly update its video lottery gaming capabilities across its network, including terminals located at racetracks and in retail outlets.

ALC to Add Slots at CDP

The Atlantic Lottery Corporation is adding 30 full-fledged slots to the gaming machine offerings at Charlottetown Driving Park. Some of the 225 VLTs will be removed to make room for the new machines. The ALC is hoping that the addition of the slots will help drive CDP annu-al revenue into the $3 million to $5 million range that it was expecting upon launching the racino.

Aqueduct VLTs Delayed

The launch of VLTs at Aqueduct is being delayed. The 3,500 machines, which had been aiming towards a Thanksgiving 2006 launch, won't be ready until early 2007.

Bill Would Reorganize West Virginia Racing Commission

A bill in the West Virginia House would increase the number of chairs on the West Virginia Racing Commission from three to five and create the oversight position of a governor-appointed director of racing. The bill, which is currently sitting in the House Committee on Government Organization, would abolish the statutory state offices of racing secretary, assistant racing secretary, chief clerk, director of security, director of audits, and chief chemist.

Keystone Gaming Alliance

Pennsylvania slot venues announced formation of a trade association to represent them in Harrisburg. The Keystone Gaming Alliance seeks to open membership to licensed gambling operators, both race tracks

People

The Louisiana Lottery Corporation board of directors has named **Rose Hudson** as interim president effective March 16. Hudson, who currently serves as the Lottery's senior vice president of human resources and legislative affairs, will temporarily fill the position vacated by President **Randy Davis**. Davis recently tendered his resignation to the board in order to pursue an opportunity in the private sector with Future System Advisors, LLC, a Baton Rouge- based development firm of wealth management systems and life insurance product design concepts.

West Virginia Lottery Director **John C. Musgrave** recently took over as President of MUSL's Board of Directors. He filled a void left by the resignation of Louisiana Lottery Director **Randy Davis** who left the lottery and his MUSL post to take a private sector job.

Nathan Bradley recently joined the Missouri Lottery staff as the administrative office support assistant for the Game Accounting section. Bradley is in charge of completing adjustments for retailer refunds and credits. He also answers customer service calls for the section and helps with other accounting functions. Bradley previously worked in commercial sales for Lowe's. Prior to that, he was a call center operator for Missouri One Call System, Inc.

The Maryland Lottery announced the host and co-host of the upcoming Ancient Treasures television event. Local personality, **Steve Rouse** will join forces with Fox 45's Traffic Reporter, **Gabrielle Abiera** to host the Hollywood-game show-style production. Steve has had prior experience working with the Lottery, having hosted the Lottery's Cash Encounters television event in 2003. This will be Gabrielle's first time working with the Lottery. The Maryland native has a background in broadcasting and was once a cheerleader for the Baltimore Stallions of the Canadian Football League. Gabrielle now provides Marylanders with the local traffic report every weekday morning on Fox 45.

Maurice Guess of Kansas City recently joined the Missouri Lottery staff as a lottery sales representative for Kansas City. Guess will be responsible for maintaining the sales and service of existing retailers and recruiting new retailers. Guess previously worked as a sales representative for R.J. Reynolds Tobacco Company. Prior to that, he was employed as a leasing representative with Magic Media Outdoor Advertising.

Also joining the Missouri Lottery is **Nathan Bradley** of Jefferson City. Nathan joined the Lottery staff as the administrative office support assistant for the Game Accounting section. He is responsible for completing adjustments for retailer refunds and credits and for answering customer service calls for the section. He also helps with other accounting functions. He previously worked in commercial sales for Lowe's and as a call center operator for Missouri One Call Systems, Inc.

U.K. Olympics Minister **Tessa Jowell** has appointed **Janet Paraskeva**, Chief Executive of the Law Society of England and Wales, to head the new Olympic Lottery Distributor (OLD). The body's key role will be to ensure proper, timely and effective distribution of Lottery money to fund the provision of facilities, services and functions required for the staging of the 2012 London Olympic & Paralympic Games. Paraskeva will take over as Chair of the OLD on March 1, serving a four year term. She will be joined by other board members, who will be appointed shortly.

Lottery industry veteran **Cathy Marshall** has joined MDI Entertainment as a Regional Vice President of Sales, bringing a wealth of knowledge and experience to MDI customers. Prior to joining MDI, Marshall was a Regional Director at Scientific Games. She will now work with MDI customers in the following states: Colorado, Florida, Georgia, Illinois, Iowa, Maryland, Minnesota, Nebraska, New York, Oklahoma, Virginia and Wisconsin, some of which she handled as part of her responsibilities as a regional director. She said she looks forward to the new challenges of promoting the licensed-products side of the business, an area she believes is a strong part of growth for the lottery industry. Marshall has more than 18 years of lottery experience. Before joining Scientific Games in 1997, Marshall was a training specialist for eight years for GOVA, Inc., a lottery-specific field service and training company.

Corneila Laverty, COO of the Georgia Lottery Corporation has resigned effective April 14, 2006. Ms. Laverty has accepted a position with GTECH in Rhode Island.

After 36 years of successful company growth, the majority shareholder and Chairman of the Board of KEBA AG, **Karl Kletzmaier**, will hand over the operative business as of 1st July 2006. As majority shareholder and through his future capacity in the Supervisory Board, Mr. Kletzmaier's services will continue to be available to KEBA. The current Director, **Gerhard Luftensteiner**, will succeed Kletzmaier as Chairman of the Board. Furthermore, **Franz Höller**, current Manager of Development, joined the Board as of April 1st 2006 and assumed the function of Technical Director.

Aristocrat Technologies announced that **Ron Jeffrey** has been promoted to Global General Manager of Multi-Station Gaming to lead the Company's emerging multi-station gaming device business. Jeffrey will provide direction on the development and execution of Aristocrat's strategic global sales and marketing plans, focusing on managing the Company's new portfolio of Interblock multi-station gaming devices. For the past three years, as Vice President of Systems Sales, Jeffrey has managed the Company's North America gaming systems business, with a primary focus on growing the business for Aristocrat's OASIS™ Casino Management System.

Aristocrat also announced that **Brad Johnson** has been named Vice President, Marketing for its Americas business. Johnson will oversee all of Aristocrat Technologies' marketing activities, including product management, public relations, brand communication, trade shows, advertising, and promotions. He will report directly to Aristocrat Technologies President **Gavin Isaacs** and work closely with **Kent Young**.

Finally, Aristocrat announced the promotion of **Kelly Shaw** to

RoundUP

Arkansas

The Arkansas Attorney General approved language that would put a ballot measure on the November ballot seeking a constitutional amendment to allow a lottery and casino gambling in the state. This follows on the heels of the Senate's denial of a bill that would have allowed slots at horse and dog tracks. The latest proposal includes building and operating casinos in Boone, Crittenden, Garland, Jefferson, Miller, Pulaski and Sebastian counties. It would also create the Arkansas Gaming Commission, whose members would be appointed by the governor. The bill calls for at least 45 percent of the lottery's revenue to go toward education, while 50 percent would go toward prizes. The next step to getting the bill on the ballot is to collect 80,570 signatures.

California

California's Mega Millions game sales are continuing to rise. Sales for the game have been growing since November 2005 when a group of Kaiser employees won a $315 MEGA Millions jackpot. Sales for Mega Millions nearly doubled from $8.6 million November 7-11, 2005 to $17.3 million from February 24-28, 2006 when similar size jackpot amounts were in play. Playership is up significantly for recent MEGA Million jackpots as well. Fifteen percent of California adults bought a ticket for the jackpot in February of 2006 compared to just 7 percent of adults for a similar size jackpot in November of 2005.

Florida

The Florida Lottery added a new facet to its Fantasy 5 game. Now, for an extra $1, players can also choose to play EZmatch, which provides a separate list of five numbers and the winning amount for each number. If any of the EZmatch numbers matches any of the Fantasy numbers chosen that night, players will win the corresponding cash amount instantly. In last Monday's drawing, it was reported that 40 percent of Fantasy 5 players opted to take the EZmatch option.

Iowa

TouchPlay and a record Powerball jackpot have helped spur on record sales at the Iowa Lottery. With four months left in this fiscal year, Lottery sales stood at $223 million, topping the overall record of $211 million set last year. Sales for all but two products are reported to be running ahead of last year.

Kansas

The Kansas Lottery is once again sponsoring the ARCA RE/MAX Series race at Kansas Speedway. To get fans excited for another season, the Lottery has kicked off another edition of its Kansas Lottery $200 Grand instant ticket. The $2 ticket has a top instant prize of $10,000, and 45 weekend racing packages in a series of second chance drawings. The racing packages include: two tickets each for the July 1 and 2 races at Kansas Speedway; round-trip trolley tickets between the hotel and track; hospitality chalet at Kansas Speedway (including food and beverage); and a chance to win $200,000!

In addition to the Kansas Lottery $200 Grand, the Lottery will now also sponsor a 300 mile race, called the Kansas Lottery 300. The deal is for three years but is subject to review. The event has been held on the Fourth of July weekend the last five years.

In other news, the Kansas Lottery launched sales for Hot Lotto on March 12, becoming the ninth lottery jurisdiction to offer the game. The Lottery introduced players to its newest game by giving away thousands of free Hot Lotto tickets at designated retail locations throughout the state. The statewide ticket giveaway was on March 15, the date of the first Hot Lotto drawing in Kansas. The free tickets were for that night's drawing. Besides picking up their free Hot Lotto tickets, players also had a chance to win Kansas Lottery promotional prizes by participating in wheel spins and other on-site games. Some of the participating stores also offered "hot" in-store specials and promotions in celebration of the new lotto game. At each of the 18 designated locations, Kansas Lottery staff were on hand to show players how Hot Lotto is played and to answer questions from players and the news media.

Maine

The Maine Lottery announced that 2005 was a record setting year for prize winners. Players won $129 million in 2005, an increase of 10.25 percent over 2004 winnings. 5,820 winners each won $1,000 or more in 2005, including: 23 $100,000 winners; 22 between $50,000-$99,999; 301 between $10,000-$49,999; and 5,474 $1,000-$9,999 winners.

The Lottery reached $200 million in sales last year with instant scratch tickets accounting for the majority of total sales, and $50 million was deposited into the state's General Fund, which was then redistributed to over 200 various state agencies. Since its inception, the Lottery has returned $732 million to the General Fund.

Manitoba

Manitoba Lotteries Corporation will return for its third year as the Presenting Sponsor of the 2006 Manitoba Marathon. Throughout its 27 years, over 174,000 people have participated in this enormous event which has raised more than $4,000,000 in support Manitobans who live with an intellectual disability.

Michigan

The Michigan Lottery has received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada for its comprehensive annual financial report. The award, given to the Lottery's Accounting Division, is the highest form of recognition in the area of governmental accounting and financial reporting

Missouri

The Missouri Lottery transferred a record $26.7 million to the Lottery Proceeds Fund for public education on March 17. The transfer surpasses the prior monthly proceeds record of $26.5 million set on Nov. 18, 2005. The March transfer of $26,735,519 is based on record February ticket sales, and it brings the total Lottery proceeds for fiscal year 2006 to more than $190.3 million. In addition to proceeds setting a record, February was also a record month for sales which totaled $94,198,347. The previous sales record was $88.5 million set in October 2005.

Nebraska

The Nebraska Lottery has added two new features to their online terminal provided by Intralot. In addition to the 3-pack button, where retailers can create a quick pick play for Powerball, Nebraska

RoundUP

Pick 5 and 2by2, retailers now can generate quick pick plays for all four on-line games using the 4-pack button. The second feature is available in the Utilities Menu of the terminal. Retailers can use the new Spanish Translation button to convert the terminal screens from English to Spanish.

New Hampshire

On a 14-9 vote, the New Hampshire Senate passed a bill that would give the state Lottery Commission the authority to give bonus commissions and higher incentive awards to state lottery agents and retailers responsible for selling tickets that win large prizes.

New Jersey

New Jersey Lottery players will be hitting the links this spring with a new "Go for the Green" series of instant tickets, featuring some of today's hottest pro golfers and legends. Pro Golfers is a license offered to lotteries by MDI Entertainment, a wholly-owned subsidiary of Scientific Games Corporation.

The new series of $2 instant tickets offers players 10 chances to win, with a top prize of $30,000. Professional golfers featured on the tickets include Vijay Singh, Sergio Garcia, John Daly, Raymond Floyd and Annika Sorenstam. The new game launches in New Jersey on April 17.

In addition to cash prizes, players will be able to enter the Lottery Bonus Zone for a 2nd chance to win an unbelievable weekend golf getaway at either Pebble Beach Golf Resort in California, the Phoenician Golf Resort in Scottsdale, Arizona or the TPC Sawgrass Resort in Ponte Verde, Florida. These trips include roundtrip air fare for two, resort accommodations for three nights, round of golf plus cart for two people each day and spending money. And players can also enter the Bonus Zone for a chance to win their choice of a merchandise prize pack that includes different combinations of high-quality men's and ladies' classic golf bags or wheeling duffel bag, umbrellas, small duffel bags, golf towels, polo shirts, visors and wind shirts.

New Mexico

The New Mexico Lottery has passed the $200 million mark in money raised for the popular Lottery Success Scholarship program. With a $2.8 million wire transfer to State Treasurer Doug Brown, the Lottery has raised $202,712,799 for the Lottery-funded and merit-based instate tuition scholarship. According to the latest data from the New Mexico Higher Education Department, nearly 38,000 students have attended college in the state with Lottery Success Scholarships through the spring 2005 semester.

North Carolina

As of Saturday, March 18, the North Carolina Lottery and GTECH met their original terminal installation goal of 4,000 retail outlets, and a new goal was set for 5,000 machines to be up and running by the March 30 launch. In addition to getting their terminals installed, retailers must also attend training before they can "go live" to sell instant scratch-off lottery tickets. The Lottery launched with four scratch games on March 30.

Pennsylvania

The Pennsylvania Lottery will award five separate trips to the World Series of Poker Tournament in a $100,000 Hold 'Em Poker second-chance drawing Monday, April 10. The five contestants selected will each receive a seat at a World Series of Poker tournament event (maximum of $10,000 buy-in), round-trip airfare for two, six-night/seven-day hotel accommodations at a first-class hotel selected by the Lottery, paid federal withholding taxes and $1,000 in spending money. Winners may also elect to take the $20,000 cash value of the prize package. Winners under age 21 will automatically receive the cash prize. Pennsylvania Lottery players must be 18 or older.

Rhode Island

Despite some challenges that kept sales of several Rhode Island Lottery games in check, the Lottery was able to increase its overall revenue, adding a record $308 million into the state's General Fund. In March 2005, the legislature passed a bill banning smoking in restaurants, bars and taverns – some of the most popular Keno and HotTrax® venues. This, as well as PowerBall®'s frequent wins, proved to limit sales on these profitable games. Also, Video Lottery revenue from Rhode Island's two VLT facilities increased 11%, contributing to the nearly 10% increase in lottery revenue to the state.

The Rhode Island Lottery and Oberthur Gaming have partnered to launch the first John Wayne "The Duke" lottery game, which will support a local Veterans' organization. The lottery game features Wayne's moniker "The Duke," his signature and his likeness on three different scenes. OGT and Wayne Enterprises will donate a portion of the licensing fees to the World War II Memorial Commission of Rhode Island.

Tennessee

Exactly two years and two months since the launch of the Tennessee Lottery, ticket sales surpassed the $2 billion sales mark. As of midnight, March 20, the Lottery reports gross ticket sales of $2,000,324,642. Instant tickets are the most popular games, making up more than 70 percent of overall sales. Powerball is the next biggest seller, with Cash 3, Lotto 5 and Cash 4 following.

Texas

Sales of pull-tabs, the instant tickets of charitable bingo in Texas, sizzled during 2005, bringing in a record $222,880,635, a 22 percent hike over 2004. In 2002 a new style of pull-tab game was approved for sale in Texas and those games have resulted in a dramatic increase in sales. From 2002 to 2003 sales of pull-tab tickets increased of 45 percent and sales have continued to increase every year since. Most of the 1,265 non-profits that conduct charitable bingo games to raise money for their charitable causes also sell pull-tabs.

The Texas Lottery Commission moved to adopt changes to the Texas Lottery® Lotto Texas® game. Sales for the new game, in which players will choose six numbers from a field of 54, will begin April 23. Players matching three-of-six numbers will win a guaranteed prize of $3. Those matching four-of-six or five-of-six numbers will share in a pari-mutuel prize payout amount (approximately $50 and $2,000, respectively). The odds of winning the jackpot will be 1 in 25.8 million and overall odds of winning any prize will be 1 in 71.

Over the last two years, SCEL has made numerous cost savings and process improvements to its Licensing Division. The number of people to support the licensing process was reduced from twelve to seven, resulting in an annual salary savings of more than $300,000. By using regular mail instead of certified mail to send Department of Revenue (DOR) non-compliance notices, the cost of postage has decreased by 92 percent, going from $2500 to $200 per mailing. Sending post cards instead of regular mail to retailers who are late in returning renewal forms has decreased material costs by 40 percent. Further, reducing the cost of paper, envelopes, labels, and the labor needed to perform this process resulted in tangible savings in terms of raw cost of materials and salary.

Postage – SCEL currently spends $30,000 a year in postage through the metering system. It is in the process of phasing out the three meter system which will be decertified by the end of 2006. The Lottery is analyzing two proposals which can reduce the cost of certified mail postage by 40 percent.

Information Technology Cost Savings Achievements:
- The replacement of leading edge wireless tablet technology with a less expensive, user-friendly desktop alternative. The solution included favorable trade-in terms on all unwanted hardware. This resulted in a cost savings of $243,783.
- Migration of the lottery's licensing operation from an in-house developed software solution to a vendor supported environment – a savings of 2.5 IT support staff – an estimated savings of $200,000 per year.
- Consolidation of the hardware infrastructure and trade-in and/or re-deployment of excessive units. This allowed SCEL to build a "free" disaster recovery site.
- Favorable renegotiation of all software agreements to include the discounts allowed for education entities – an estimated savings of $30,000 – $40,000 per year.
- The establishment of robust in-house software and hardware support center which eliminated $20,000 – $40,000 in annual maintenance agreements.
- The establishment of a "standard configuration" for all desktops and laptops. This maximized interchangeability of parts and software while minimizing IT support requirements – an estimated first year savings of $18,000.
- Implemented an IT inventory tracking system for equipment and parts – an estimated savings of $2,000
- Moved SCEL from leasing computers to purchasing equipment. This extended the usable life of IT hardware from 2 to 4 years – a significant savings. In addition, the Lottery negotiated terms of purchase that are significantly better than those available using the standard state contract – for a total estimates savings of $83,000 per year. ♣

and non-track venues, as well as members of the hospitality and entertainment industries, makers of slots equipment and games and non-gaming vendors.

Kansas Expansion Bill

Gambling expansion legislation is reportedly being prepared for introduction into the Kansas Senate. Early reports say the legislation calls for 7,000 slots divide between a casino in Wyandotte County and one in Southeast Kansas, horse and dog tracks in Kansas City, Wichita and Frontenac, and a future site in Dodge City. Local voter approval would be required in all locations except Crawford County before gambling could start.

Tattersall's to Sponsor Horse Race

From 2006 Tattersall's will sponsor Australasia's best horse race – the W.S. Cox Plate at Moonee Valley. The Moonee Valley Racing Club announced the dream six-year deal with one of Australia's premier lottery and gaming companies, as well as the continuation of its partnership with Foster's Australia. Foster's Australia will continue as a major partner, with exclusive alcohol rights. ♣

Vice President, Systems Sales and Marketing. Shaw will oversee the Company's OASIS™ Casino Management System business in North America, focusing on strategic planning, sales growth, customer service, product marketing, and operations management. She has been an integral member of Aristocrat's management team since 1998, when she joined Casino Data Systems (acquired by Aristocrat in 2001) as Director of Marketing. In 2001, Shaw moved into OASIS system sales as an Account Executive. Within a year she was promoted into a sales management role, and earned additional authority in 2003 when she was named General Manager, North America Systems.

Bally Technologies announced the appointment of **Robert C. Caller**, an Ernst & Young veteran, as the Company's new Executive Vice President, Chief Financial Officer and Treasurer, effective April 1, 2006. The Company's current CFO, **Steven Des Champs**, will remain with the Company, taking on a new role as Senior Vice President of Business Analysis.

GameLogic announced the appointment of **John E. Taylor, Jr.** as president and a member of its Board of Directors. Mr. Taylor joins GameLogic from Snowmark Corporation, an early stage venture capital firm, where he served as managing partner. Prior to joining Snowmark, Mr. Taylor served as a member of the executive management committee and corporate VP for GTECH. ♣

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July 10th - July 13th
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For assistance, call Susan Jason at 425-985-3159 or 425-985-3157.
Website: www.publicgaming.org.
Email: mailto:susanjason@publicgaming.org

EXPO/ILAC 2006
WYNN, LAS VEGAS
JULY 10th – JULY 13th, 2006
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