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Products 2006



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Extending its Reach



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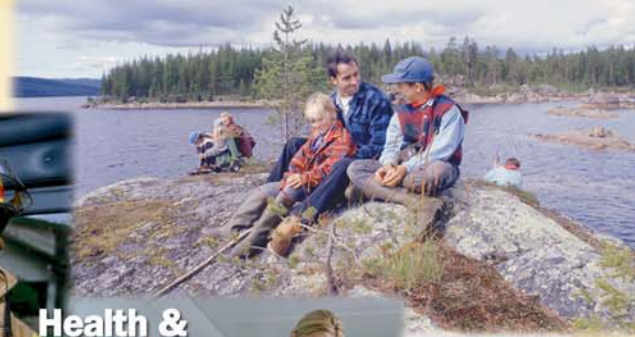
Wynn Las Vegas

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North Carolina Update • New Lottery Chooses GTECH

Good Causes.

Natural resources & tourism



Education programs



Health & welfare

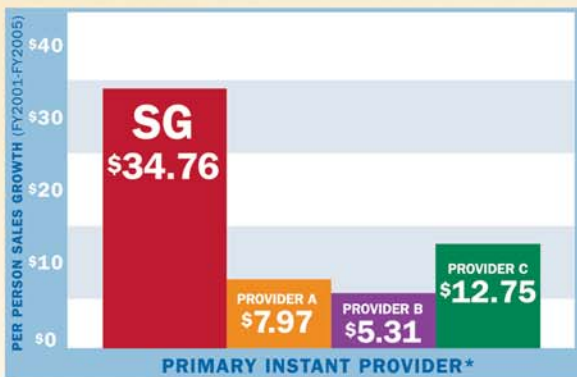


Senior assistance



Good Choice.

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



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

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.

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Education programs



Health & welfare

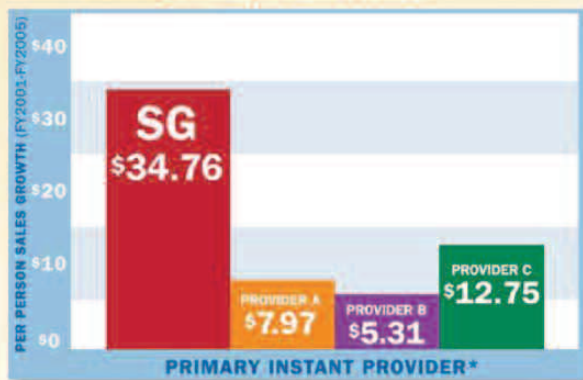


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On the Cover: Scientific Games' Push Play; GTECH's Pick N Play; Scientific Games CEO Lorne Weil; Massachusetts Lottery Director Joseph Sullivan

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Industry News



Lottomatica to Acquire GTECH

Lottomatica and GTECH have entered into an agreement pursuant to which Lottomatica will acquire GTECH for \$35.00 in cash per outstanding GTECH share. The transaction will create one of the world's leading gaming solutions providers, with significant global market presence and the broadest portfolio of lottery technology, services, and content solutions.

The combined company will have operations in over 50 countries worldwide and approximately 6,300 employees. The combined consensus estimates of 2005 revenues and EBITDA for the combined company would be 1.6 billion euros (\$1.9 billion) and 0.7 billion euros (\$0.84 billion), respectively. Lottomatica SPA expects combined revenue of about 2 billion euros (\$2.4 billion) within 24 months of its planned \$4.65 billion acquisition of GTECH.

Following completion of the transaction, GTECH will continue to operate as a separate business unit within a newly formed Lottomatica group structure. The group is to be headquartered in Rome and GTECH will continue to be headquartered in Rhode Island. The transaction is not expected to involve any substantial disruptions to the workforces of either GTECH or Lottomatica due to minimal operational and geographic overlap.

Rosario Bifulco, Chairman and CEO of Lottomatica, will relinquish his executive roles after leading the company for four years through a period of significant development. It is expected that W. Bruce Turner, President and Chief Executive Officer of GTECH, will be proposed as a member of the Lottomatica board of directors and will become CEO of Lottomatica, while maintaining his position at GTECH; and Marco Sala, current General Manager of Lottomatica, will be proposed as Managing Director of Lottomatica with responsibility for Italian operations. His appointment will ensure continuity in the successful management and development of the Italian Lotto license and Lottomatica's other activities in Italy. It is also expected that Jaymin Patel, Chief Financial Officer of GTECH, will become CFO of Lottomatica upon completion of the transaction. GTECH's other current officers and management team are also expected to remain in their positions with GTECH. It is currently anticipated that independent directors from the United States will be named to serve on the Board in due course.

The AP reported that Turner expects to cut costs by between 80 million euros and 100 million euros (\$97 million and \$121 million) in total synergies from the move, with the savings starting 12 months after the deal is formally closed.

Scientific Games Signs Illinois and Colorado Lotteries, New Mexico Gaming Control Board

Scientific Games signed a three year contract with the Illinois Lottery for the supply of instant ticket games and related services. The contract took effect December 29, 2005, is valued at \$19.5 million over the initial term of three years, and contains two one-year options to renew. Revenues to Scientific Games will now be based on a percentage of retail sales.

Scientific Games was also awarded the instant ticket contract for the

Colorado Lottery. The deal, which includes the supply of instant ticket games and related services, is valued at \$5.6 million over an initial term of two years. The contract takes effect in January of 2006 and runs through the

end of November 2007, with three one-year options to renew.

Finally, Scientific Games signed an eight year contract with the New Mexico Gaming Control Board for the AEGIS-Video™ system to monitor and control the state's gaming machines. The contract commenced on December 28, 2005 and is valued at approximately \$7.1 million. Scientific Games will install the AEGIS-Video™ system and provide ongoing maintenance support for a hybrid network which includes 5 racinos and 60-plus non-profit veteran and fraternal organizations. The AEGIS-Video system will support two communication protocols including the industry standard SAS 6.01 (Slot Account System) protocol and SGI's F-3 protocol which allow the existing gaming machines to communicate to the new system.

Norman Rockwell Joins MDI's License Portfolio

The works of one of America's most cherished artists of all times are available to lotteries now that MDI has acquired the rights to Norman Rockwell's The Saturday Evening Post illustrations. Under the agreement with The Curtis Publishing Company, MDI can offer lotteries the rights to Norman Rockwell's and other illustrations from The Saturday Evening Post and Country Gentlemen magazines. MDI's parent company, Scientific Games, held the rights to this brand from 1999 to 2001. Several clients requested that MDI acquire the property to re-introduce it to the lottery industry.

"Americana is defined in the works of the late Norman Rockwell," said Steve Saferin, MDI president. "Through his sometimes hilarious depictions of everyday life and rites of passage, Mr. Rockwell's pieces are recognized immediately around the globe. Nostalgia is an important Lottery game category and this license would be an excellent choice for a special-occasion game or as a commemorative instant ticket."

In addition to magazine covers, Rockwell provided illustrations for advertising campaigns, Hollywood movie posters, commemorative stamps and illustrated books such as The Adventures of Tom Sawyer and The Adventures of Huckleberry Finn. Norman Rockwell died in 1978.

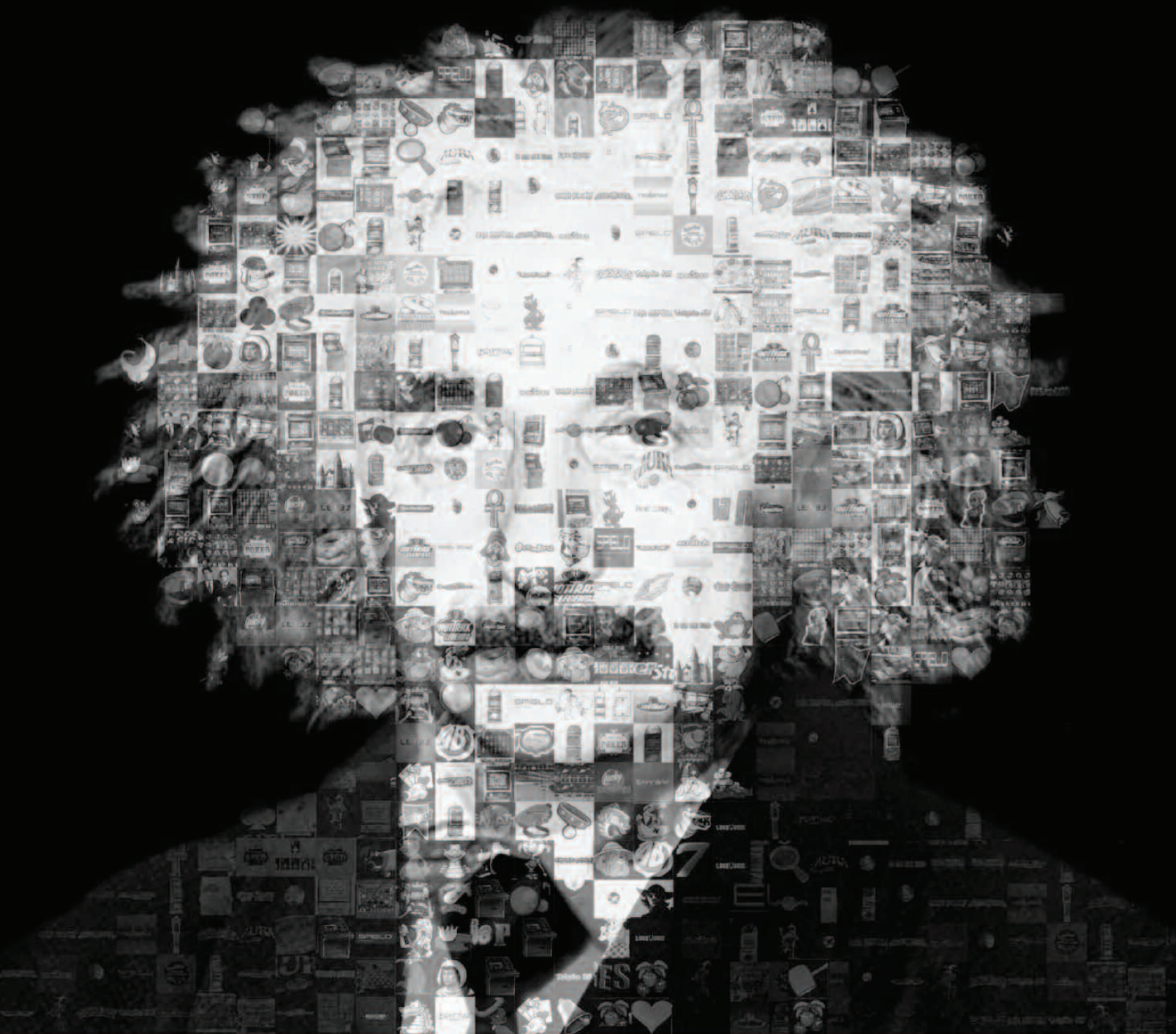
Joan SerVaas, Curtis Publishing Co. president and CEO, said one attraction to this ticket is that in itself, it is a piece of art and a collector's item.

"The licensing partnership between Curtis Publishing Company and MDI will afford lottery customers to view Norman Rockwell's famous The Saturday Evening Post illustrations. Norman Rockwell was able to capture so much of what makes life special and put it in his paintings," SerVaas said. "Rockwell's art transcends generations. Both young and old can imagine and relate to the joy, contentment, humility, mischievousness and the many other aspects of life...the way we want it to be."

OGT Signs Currier & Ives, Extends Will Bullas

Oberthur Gaming is pleased to announce the expansion of its

... continued on page 24



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R&D Compensation = Lottery Growth

By Steve Saferin, President, Scientific Games Ventures



At the risk of sounding like a broken record – or is it a defective CD? – I would like to focus this article on the important role that vendors can and must play in the growth of our industry.

I don't think there would be a lot of argument that for lotteries to grow their profits they either have to generate higher margins on the product they currently sell, sell more product or a combination of both.

There are very few industries where the contributions of the vendor community are as integral to the health and potential for growth than the lottery industry. Quite simply the vast majority of lotteries, particularly those in the United States, have no research and development capability and without R & D as it applies it to new games, new retail configurations or new anything there can be very little growth for a mature industry.

Both lottery and vendors are, I think, keenly aware of this reality and many vendors have made a significant R & D commitment. However, the recent trend in lottery RFPs for almost all services seems to indicate that lotteries do not want vendors to reap the benefits of successful R & D efforts. These RFPs serve as a disincentive to vendors investing the dollars necessary to fund research and development. And if vendors do not fund R & D, then who will? And how will we grow our industries revenues?

As best as I can interpret things I sense a fear on the part of the lottery community that one or more vendors will develop a product that will put the vendor in an unquestioned position of superiority in a commercial negotiation with one or more lotteries. It certainly is a reasonable concern on its surface but if you examine it in the bright light of the reality of our industry its flaws are apparent. It is a simple exercise in deductive reasoning:

- R & D is necessary for growth in almost any industry
- Lotteries do not engage in R & D
- Vendors can and will invest in R & D
- Vendors need to be fairly compensated for the successful fruits of their R & D
- If lotteries insist in some form on attaching vendors' intellectual property which is the result of successful R & D endeavors without receiving fair compensation vendors will cease their R & D efforts
- If vendors cease their R & D efforts there will be no new products or methods for lotteries to employ
- Without new products or methods our business cannot grow

We are faced with a unique business dynamic where the needs of the

private sectors intersect with the requirements of the public sector. It seems that on the issue of intellectual property we are hurdling towards a head-on collision.

Harry Truman, who along with Winston Churchill is one of my two political heroes, prided himself on being plain spoken. So here is some plain speaking. The continued commoditization of lottery products and services will eventually lead to the stagnation and possibly a significant deterioration for our industry. The most successful vendors to our industry are public companies charged with returning profits to our shareholders. And before you groan and say lotteries are charged with returning profits to their constituents, consider that these two agendas are not necessarily in conflict. If lotteries continued to force prices of traditional services down without giving vendors the opportunity to recoup loss margins through the creation, ownership and fair compensation for their fruits of their investments in research and development, vendors will cease research and development and cut back in the many areas of support that lotteries now expect and rely upon. In the end all of our various constituencies will suffer. Recently Scientific Games proposed IP Content Standards to govern intellectual property issues in our industry. I would like to take this opportunity to again set these out for your consideration. This is an issue that must continue to be discussed, debated, and eventually resolved to the satisfaction of both the lottery and vendor community. We need to accomplish that goal so that we can work together for the growth of our industry.

IP Content Standards

1. Lotteries will not claim ownership to IP not developed exclusively for them.
2. Lotteries will not distribute IP jointly owned by the lottery and the vendor to other lotteries. The vendor will have such rights.
3. Vendors will make on-line IP content available to all lotteries whether they are the on-line vendor or not.
4. On-line vendors will not block the implementation of on-line content from other vendors.
5. Lotteries and vendors will agree to certain general standards to be employed when seeking to patent on-line game concepts.
6. Lotteries recognize the rights of vendors to receive a fair return on their investment in IP. ♣

Around the World... continued from page 4

rants and pubs. This led to a decrease in turnover for the VLTs in these locations by 6 percent but they still had gross sales of 6.8 billion SEK.

In December the Government granted Svenska Spel a license to launch Internet poker in order to be able to compete with foreign bookmakers on the net. As soon as the Gaming Board has approved Svenska Spel's concept the game will be launched.

Taiwan

Chinatrust Bank announced that it is looking to introduce new games after acquiring the right to issue lotteries in Taiwan. Chinatrust is seeking to launch poker, mahjong and bingo once it takes over the games from Taipei Fubon Bank in 2007. Chinatrust will hold the lottery license until 2013. ♣

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Scientific Games Extending Its Reach

Scientific Games Corporation recently announced two major purchases that will both give the company a larger presence in the global lottery market and will strengthen the company's offerings in the sports betting market. For the former, Scientific Games intends to purchase substantially all of the online lottery assets of the Swedish firm EssNet AB. For the latter, the company has announced a letter of intent to purchase Global Draw, Ltd. (See sidebar)



Public Gaming International recently interviewed Scientific Games Corporation CEO Lorne Weil about the acquisitions, and how they are expected to improve Scientific Games as a whole.

Public Gaming International (PGI): What does the acquisition of EssNet do for Scientific Games?

Lorne Weil (LW): This acquisition enlarges our footprint in the international lottery marketplace, particularly within Germany, and gives us additional valuable products and technology.

PGI: What lotteries does EssNet supply?

LW: EssNet is a major supplier to seven state lotteries in Germany, lotteries in Norway, Hungary, and other countries in Europe, Golden Casket and Tattersall's in Australia, Argentina, and other national lotteries.

PGI: How does the addition of these lotteries fit with Scientific Games core expansion strategy?

LW: These customers will assist us in growing all our core product lines, including online products and services, instant tickets and services, and licensed products.

PGI: What does the acquisition of Global Draw do for Scientific Games?

LW: The acquisition of Global Draw gives us a strong position as a supplier of technology-based systems and services to the commercial sports betting shop marketplace, which has been a goal of ours for some time. It also gives us capability in the area of server-based, central determination-based, gaming systems for sports betting and video lottery markets.

PGI: Who are Global Draw's customers?

LW: Global Draw's main customers are operators of licensed betting shops in the United Kingdom. Altogether, Global Draw provides its turnkey wagering service to about 2,500 shops throughout the country.

PGI: Will EssNet and/or Global Draw continue to operate as separate entities?

LW: EssNet will eventually join with our existing lottery systems business in Europe to form an integrated international lottery business unit. Global Draw will operate as an independent entity.

PGI: Does Scientific Games have its eye on the growing gaming markets in China and India, and if so, how do these two acquisitions factor into the Company's strategy for these two countries?

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Scientific Games Buys EssNet and Global Draw

In late January, Scientific Games signed an agreement to acquire substantially all of the online lottery assets of EssNet AB for 460 MSEK or approximately \$60 million. Just three days later, Scientific Games signed a letter of intent to purchase The Global Draw, Ltd. and certain related companies for approximately \$183 million.

EssNet, a Swedish firm specializing in online lottery systems and terminals to run numbers games, sports betting, instant tickets and mobile games on a national level, supplies seven lotteries in Germany, the national lotteries of Hungary and Norway, Golden Casket and Tattersall's Lottery in Australia, and other national lotteries. EssNet's reported online lottery revenues for the first six months of 2005 were approximately 130 MSEK or approximately \$16 million.

The acquisition will include substantially all of EssNet's existing online lottery contracts, as well as all technology and intellectual property pertaining to its online lottery business. Scientific Games will also inherit EssNet's staff of technical experts and game designers, a key to its selection as "IT Challenger of the Year" by the Swedish business magazine Veckans Affärer.

"This acquisition will not only boost our international lottery revenues and market share, it will give us fresh access to some key markets includ-

ing Scandinavia, Australasia and Europe, particularly in Germany where it brings our online lottery customer list to 13 of the 16 states," said Lorne Weil, Chairman and CEO of Scientific Games. "We are confident that this acquisition will integrate well with our existing operations, provide a platform for additional growth, and assist us in helping our instant ticket customers grow their business."

Global Draw is a leading supplier of fixed odds betting terminals and systems, and interactive sports betting systems operating in the U.K. Global Draw is beginning to extend its central determination, fixed odds system to meet the needs of European video lottery markets.

Steve Frater, Managing Director of The Global Draw, said "We are very excited about the prospect of working with Scientific Games to develop the European VLT business and to even further develop our position in the U.K. betting and gaming market. Scientific Games can provide us technologies, relationships and expertise that will be invaluable in continuing to grow the existing business, and which will help us use our technology to enter new markets."

Mr. Weil said "Walter, Steve and their team have done a remarkable job of building a leading U.K. and continental European gaming business. Global Draw will give us a platform for accelerating our participation in sports betting and video lottery businesses globally." ♦

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Focus on 2006: Important Products

In January, 2006, Public Gaming International surveyed lottery industry executives, both operators and vendors, to see what they considered to be their most important product (MIP) for 2006. Their responses follow...

Anne Collins, director of marketing, Lotterygifts.com

MIP: New for 2006 is the Magnetic Strip LuckyPocket, our imprintable French Calf vinyl pocket that keeps customers' tickets and playslips safely in one place.

The Magnetic Strip LuckyPocket can be imprinted with state of the art spot colors or full color process inks with remarkable sharpness, brightness and quality. Logos "pop" and "sparkle" with our white background inking technique. It is an excellent customer giveaway because of its large advertising space and its appropriateness to the industry.

Bob Kalb, Lehigh Capital Assets

MIP: We generally provide funding to gaming companies. Recently we began working with Slotmetrix and they are producing a celebrity based machine. Currently they are producing machines with Larry Homes endorsement, Chris Moneymaker, Rusty Wallace and many more celebrities are signed. The product is important because it offers new ways to attract people into the casino with special promotions tied to the celebrity machines and personal appearances by the celebrities.

This is a very unique way to advertise machines and offer something in addition to winning cash to the gaming customer. It provides additional incentives to build up player points and keep the people playing the machines.

Carla Shaefer, Oberthur Gaming Technologies

MIP: Electronic games (internet or cyber). Casual computer games are played by the majority of adults, and there is a huge window of opportunity to tap into this market.



Carole Hardy, Assistant Director for Marketing, Oregon Lottery

MIP: Video Lottery line games and flash-based Web games.

With yearly revenues from Video Lottery poker games of over \$500 million, the May 2005 addition of line games to the Video Lottery product mix creates great opportunity for the Lottery to not only increase sales but also attract new players. Net Video

Lottery sales (including both line games and poker) are currently averaging about 25% higher when compared to the previous year without line games. We are also in the process of purchasing and deploying new Video Lottery terminals (VLTs) statewide – 2,300 IGT Game Kings, 2,300 IGT Trimlines, and 1,200 WMS Bluebirds.

By January 2007, we will have completed the process of replacing aging and obsolete VLTs throughout the Oregon market that provide our players with state-of-the-art terminals and a great variety of poker and line games.

Living in an age where the computer and Internet access is almost as common-place as the television, flash-based Web games offer an exciting opportunity to help grow our "traditional" (non-video) game products. The introduction of a fresh way to play lottery games via the Web will help attract new players and keep our traditional games vital. The Web offers the opportunity to provide players with the excitement and visual quality they have grown to expect from that medium. In the coming year, we will be offering a "suite" of a minimum of 12 games that players will access on the Web via an access code printed on tickets purchased at Lottery retail locations. These games will be quick and easy to update and lend themselves to play on mobile devices such as cell phones and PDAs.

David Farris, VP sales and marketing, TMRG Worldwide

MIP: The most important product for 2006 will be online/draw games since the industry as a whole continues to experience player fatigue and decreases in revenue from this product category. Much time will be spent evaluating and implementing new ways of delivering this product in far more engaging, exciting and interactive ways. Examples include, the internet, cell phones, PDA's, interactive tv and so on.

Per unit sales for online draw games is significantly higher than the instant product. Therefore Lotteries must find a way to bring draw, online jackpot games back into the limelight. Otherwise, Lotteries may be able to increase revenue through the instant product, however profitability will dramatically be reduced. The only way lotteries will be able to do this, is by taking risks and adopting never seen before strategies and tactics – something this industry as whole isn't particularly good at.

Gergely Koppány, head of Instant Ticket Department, Szerencsejáték Zrt., Hungary

MIP: Our most important product in 2006 will be the recently launched 5-minute Powerball type game, called Putt6. The game was launched at the end of November 2005, thus 2006 will be its first full year. Valuable experience will be collected about the game during 2006 as well as its continued expansion to new retail outlets.

Our first impressions regarding the players of the new game were very promising. The new 5-minute game was exceptionally popular in bars and restaurants, where previously the overall gaming turnover

was not significant. Thus, with the new game, we reached many new players at locations formerly producing low turnover. Providing new outlets with terminals will definitely increase the local gaming market

Jan Stocklassa, VP Svenska Spel International

Svenska Spel, the Swedish National Lottery, recently was the first state-regulated lottery to be given a license by the government to operate poker on the Internet. Together with BossMedia the company is now building the platform for the new game to be introduced in March 2006.

For the last years there has been a real Poker boom in Sweden as well as in many other parts of the world, but only foreign operators have benefited from this so far. Svenska Spel expects to get one third of the Swedish players now wagering on foreign bookmakers. Estimated sales for this market are approx. 1.3 billion SEK.

Svenska Spel already exercises a very tough control on its players regarding age, domicile and amounts spent on interactive gaming.



Jeanette Michael, executive director, D.C. Lottery and Charitable Games Control Board

MIP: The Keno platform with better graphics and more interesting play styles. It is important because it can dramatically alter the lottery player profile and it is not jackpot driven.

Joshua Logan, international trade consultant, The Kreller Group

MIP: Our most important product for 2006 is our Due Diligence/Probity investigations for vendors, suppliers and licensees in the Lottery Industry.

Due Diligence in today's business climate is no longer a luxury. It's a requirement, especially in an industry that is as regulated as the gaming industry. Due Diligence does not eliminate the risks of international business; it offers peace of mind and a measure of protection against oversights. The Kreller group has a global reputation for providing the most comprehensive, complete and current background information on companies and individuals.



Mark Hutchinson, director of public gaming, JCM American

MIP: Products which contribute to the overall financial generation of the lottery and at the same time maintain and actually strengthen the "squeaky clean" perception and integrity of the Government run lottery operation. There are two products currently ready and out there I believe are very important for 2006.

The ICB (intelligent cash box) system, from JCM, independently audits gaming machine cash boxes/intake for the State and operators.

There is also "pop up" technology for gaming machines that allows the state to bypass the traditional "above the line" promotions (paid advertising etc). If you decide to cash out your winnings on a game, a window pops up that gives you the option to buy a State lottery ticket. State lawmakers hate advertising so this technology allows the machine to localize the promotion strictly to the point of sale (while playing the game). Being an old State lottery guy as well as a new gaming machine guy, I am completely sold on this program and have studied it extensively!

Specific percentages of a lottery's legislated good cause benefits the entire population of that State. As the States begin to get involved in raising funds via electronic gaming devices they must protect the brand image and credibility the lottery has worked so hard to build.

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Michael Frick, VP of marketing – North America, Lottery Dynamics LLC

MIP: Our most important product for 2006 will be Lotto Silver+, our multiple-priced add-on for any matrix game that offers players the option of “supersizing” their prizes – including the jackpot or top prize! A full description of Lotto Silver+ is available at www.lotterydynamics.com.

Lotto Silver+ is important because it fills a huge and immediate need in the marketplace. For years the industry has been told that higher price points must be accompanied by increasing payouts and cutting into profit margins. That fiction will be shattered in 2006. In fact, the Pennsylvania Lottery opened up a whole new frontier at the close of 2005 by offering a \$20 on-line raffle game with a top prize of \$1 million, a 50% payout and overall odds of 1:982 – and selling out an allocation of a half-million tickets in less than two weeks! Their on-line raffle game was a limited-quantity trial balloon that has enormous implications for our industry.

There was once a commonly accepted view that the world was flat. As we look back today, such a notion seems almost amusing. Similarly, Lotto Silver+ will bring about a paradigm shift by proving that lotteries do not have to sacrifice their profit margins to increase on-line price points.

In an operating environment where risk aversion reigns supreme, Lotto Silver+ gives lotteries a safe option for introducing higher price points to the on-line game segment without devouring profit margins! Lotto Silver+ will allow any lottery to preserve its existing game mix and on-line profit margins while, at the same time, enhancing any matrix game with premium purchase options and multiple price points. Lotto Silver+ is far more dynamic than any product extension available on the market today.



Patricia Koop, Director of Sales and Marketing, South Carolina Education Lottery:

MIP: Management of all games, instant and on-line.

SCEL continues to grow with all existing game categories. To continue growth we will monitor price points of best selling instant games and determine if we can transfer their successes to the on-line category, continue to develop enhancements to existing games, maintain research and development on properties we will want for long term strategic planning, and develop on-line registration for added value on our website.

We value our customers and continue to grow our relationship and trust with them.

Scientific Games Ventures Launches Innovative New Game Play *PushPlay™* combines technology with traditional instant tickets.

PushPlay™ combines technology with traditional instant tickets

In an ongoing effort to deliver innovative and creative entertainment to an emerging new audience of lottery players, Scientific Games has developed a new leading edge lottery game that combines today's technology with traditional paper instant tickets.

PushPlay™ is a hand-held, battery-operated game that adds an additional level of fun to playing instant games in that it is reusable and interactive. To play PushPlay, a lottery player simply inserts a traditional paper ticket into the unit, which identifies the ticket and prize value and activates the appropriate play style.

Each PushPlay device features:

- Approximately 5 minutes of playing time per ticket
- Sound with on/off button
- Replaceable batteries
- Power save mode after 20 seconds
- Up to five play buttons
- Up to 16 different games

Steve Saferin, president of SGI Ventures, said lotteries are always on the lookout for original and creative spins to traditional games and PushPlay, along with other upcoming products, is the answer. Several lotteries have expressed interest in testing the game, he added.

“Scientific Games’ electronic games portfolio is tailored for lotteries that

want to leverage available technology, with the broader objective of appealing to the emerging, next-generation player,” Saferin said. “In addition to expanding the player base, the concept is designed to increase the entertainment value of lottery games while simultaneously generating incremental revenue.”

Scientific Games markets and promotes the ground breaking concept under its Scientific Games Ventures division. Scientific Games Ventures was formed in September 2003 to manage, create and deliver new products and services to lottery customers. Ventures’ staff is dominated by lottery industry veterans with over 85 years of collective experience. Operating within an environment of innovation, Ventures has already introduced an array of innovative lottery products and services to the worldwide lottery industry, including the PushPlay concept.

Saferin added that one of the most exciting aspects of the concept is that the ticket inserts can be sold, activated and redeemed in existing retail channels in the same manner as paper instant tickets.

“Because no additional equipment or programming is required at retail locations, lotteries can easily incorporate this new game play into their line up and offer their players that bonus level of fun and excitement with hardly any learning curve,” Saferin said. ♦



Paul Trowe, Pulse Mobile Games

MIP: Lotto that you can play on your cell phones and on your TV (scratch off as well as pick games).

Lotto revenue has been stagnant, or has had very small growth over the last five years. With the advent of new technology like Mobile Phone games and ringtones we can capitalize on this revenue stream. According to NPD, 75% of the people in the United States that own a mobile phone have purchased something over the air. The demographic for this audience is 18-35 male 40%, female 60%. Since this is not our current demographic, it means that we would be increasing our customer base, not cannibalizing it.



Pia-Karin Åkesson, sales and product manager, lottery, Boss Media
MIP: BINGO

People are now used to playing community games like poker, and they are waiting for the next product in this category. Bingo will be the natural choice, with a true community feeling, and the chat functionality to enhance the fun of the game. It's simple, it's non expensive and it's lot's of fun!

Rascalín

MIP: For Rascalín the most important product this year is our very first promotional instant scratch-off game. This product is 2,000,000 tickets of a promotional scratch game "Finding the prize" for the worldwide recognized company Nestle.

It is very important because it starts a new kind of services that Rascalín will be able to provide to our customers. From this promotional game Rascalín not only will offer instant scratch-off game to collect funds for charity, but promotional games also, to transnational and domestic companies.



Ray Michel, president, Ticker Communications, Inc.

MIP: Digital Retail Media is a groundbreaking new form of in-store advertising. Displays are positioned in retail outlets to advertise content that is directly related to products on sale. For customers, Digital Retail Media will enhance the in-store experience by providing relevant information on offers, products and services.

Dynamic digital signage is popping up everywhere. Retailers such as Best Buy use signage to coordinate the weekly specials from the newspaper with the onscreen messaging in the store.

Wal-Mart has a network of in-store TVs to promote its "what's new" messaging.

Even relatively quiet locations such as your local bank or your doctor's waiting room may have a digital display network to inform, educate, entertain, and promote products and services relevant to that environment.

Digital Retail Media is not the new TV advertising but when you think that the average person goes shopping 1.8 times every week it's hard to ignore the reach of this new medium. Thirteen hours after watching an ad on TV 50% of consumers haven't been shopping and this time lapse increases to 24 hours for 30% of consumers. Digital Retail Media has the "recency" to motivate purchasing decisions.

That the advertising audience is becoming more fragmented, more difficult to reach, and more savvy is not new. A host of new technologies and developments, from digital video recorders like TiVO to inexpensive satellite and digital cable, have made it possible to watch hundreds of channels or to use the television set as a game platform, and skip the advertising entirely.

One of the most recent examples of these changes, – last fall's discovery that a significant number of 18- to 34-year-old men have apparently stopped watching television –

It's Not Hard To Spell It Out...

A Scrabble™ instant game will be the **PERFECT** addition to your extended play game mix. Scrabble™ is one of America's most widely owned board games. Your sales will hit **TRIPLE WORD SCORE** levels with this one!

SCRABBLE

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3 WAYS TO WIN!

MDI

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dovetails with a survey done earlier this year from the Association of National Advertisers that its members increasingly find TV ad prices unfair given the declining audience, that more and more of them are unhappy with the way the networks measure their audience, and that many are beginning to wonder if anyone is even watching TV commercials.

Point-of-purchase advertising that uses digital signage will allow retailers to reach their best customers when they're ready to buy, and allow them to do so at a fraction of the cost of other media and with almost 100 percent penetration. Who can argue with results like that?



**Robert Ayotte, president,
lottery operations, Loto-Quebec**

It's not one product in particular that will be important, but our ability to regularly create spectacular events in order to maintain and improve the perceived entertainment value of lotteries as a whole. Bonus promotions in the Big Lotto category, major improvements to some of our existing products, exciting special edition games and a

new prime time game show will ensure our product line stays top-of-mind and is perceived as modern and entertaining...and will drive consumers to the point of sales!

Robert Tirloni, products manager, Texas Lottery Commission:

MIP: Lotto Texas is the most important product for the Texas Lottery in 2006.

With on-line game sales struggling compared to the success of instant games, Texas has proposed a rule to change the Lotto Texas game from a bonus-ball style game back to the previous six-digit game, a 6-of-54 matrix. This product and this proposed change have been developed to bring players back to the game and rejuvenate interest in the in-state jackpot game.

Roy Bortolussi, director, lottery marketing, Ontario Lottery and Gaming Corporation

MIP: LOTTO 6/49

It is our flagship brand and generates the highest sales and highest margin of all products. Maintaining that product profile in the face of increased competition and marketplace pressures is a challenge.

Sorin George Croitoru, executive director, Loteria Romana

MIP: Our most important product for 2006 is the fixed odds betting game PARILOTO.

The importance of this game is given by the following considerations: the national market is forming; the development and growth potential of the market; and the possibilities to extend the distribution area by new channels – Internet and mobile phone.

Tchicaya Ellis Robertson, Ph.D., online product manager, Illinois Lottery

MIP: Pick n Play – a hybrid of an online and instant product. It is one of the few ways we will be able to invigorate our online product portfolio.

Thomas Hofts, senior account manager, Creative Games International

MIP: The iPod, Intel chip based iMac, and it's iLife 06 software.

Pick 'n Play

Pick 'n Play™ is a breakthrough game category from GTECH® that has the potential to revolutionize the way online lottery games are offered to players. With a variety of stimulating games, displays, and colorful, graphically-rich play cards these games create a truly unique gaming experience with a high level of awareness and visibility. The innovative game concept gives players the chance to convert a themed player card into instant online winnings, future draw winnings, or a combination of both. The games can be played using a virtually limitless number of branded or unbranded themes and styles of instant win games or can be extended by connecting them with lotto jackpots or television games. The suite of Pick 'n Play games will operate on any GTECH online lottery system.

Pick 'n Play cards are purchased at retail and scanned at the point-of-sale. The play card itself has no monetary value and because of this unique attribute can be displayed anywhere inside or outside a retail location. The first games trigger instant win, predetermined online tickets, which are randomly selected from a prize pool by the central system. The player uses the data printed on the online ticket to play the game by matching and marking the play card. The opportunity for players to select the play card of their choice – affording them greater variety and

perceived control over the game itself – will drive impulse and repeat sales. GTECH is currently designing several other game types using this patent pending technology.

Endless promotional capabilities are just another added value to these games. The play cards can be used as a free-standing insert in newspapers, magazines and other publications or they can be distributed at sporting events, county fairs, and other large public gatherings to offer sampling and create player interest and awareness. Lotteries can take advantage of cross promotional opportunities with any number of goods and services, perhaps in exchange for advertising support on the play cards themselves.

Pick 'n Play will create enhanced entertainment value within proven game formats that expand price points, prize payout and game structures known to drive revenue. These games will entertain a new generation of online players and scratch ticket players. ♣





Licensed Products: An International Lottery Players' Survey

By Phil Kopel, President Kopel Research Group, Inc.

Recently Lotteries have been offering Instant Scratch tickets that have themes connected to TV Shows, Movies, Professional Sports Teams, Cartoons, Casinos and other licensed entertainment.

This article focuses on consumer interest in various licensed products as they relate to Instant Lottery games, from a survey of approximately 2,000 members of KRG's international marketing research panel. The panel is 50% male and 50% female. The panel's age distribution is 35% 18-34 years; 50% 35-54 years; and 15% 55+ years old.

We, as consumers, grow up attached to cartoons, TV shows and movies. We play home games with our families; we root for local sports teams and athletes and are fascinated by sports cars and trucks.

For Lottery vendors, there is equity in licensing many of these products and developing them into niche Instant Scratch games and other Lottery products.

In this international survey, respondents rated their interest in a variety of licensed products such as Pink Panther, the Flintstones, World Poker Tour, Monopoly, Match Game, Caesar's Palace, NFL, Jeopardy, Harley-Davidson and Chrysler etc...

They were also asked to pick the top three themes that they found most appealing.

Chart 1 shows the level of interest in various themes, by gender.

In general, Females are significantly more interested than Males in themes based on Cartoons, TV Shows and Family Home Games.

Males are significantly more interested than Females in themes relating to Vehicles and Sports.

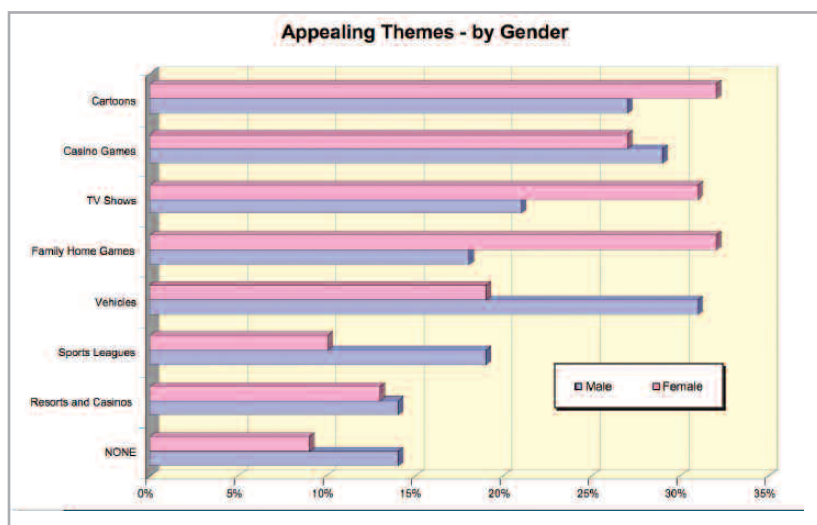
Chart 2 shows that a respondents' age also affects their interest in themes.

In general, respondents aged 18-34 expressed significantly more interest in playing games based on TV shows, and Family Home Games than those 35 and older.

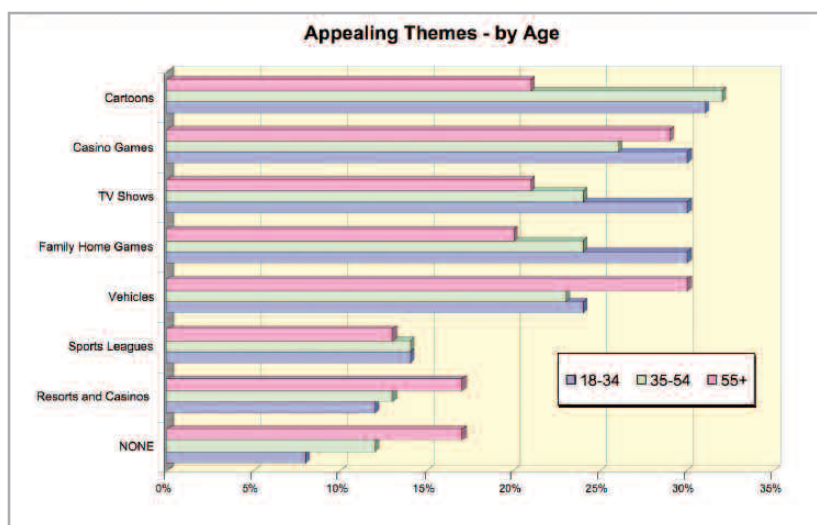
Respondents aged 18-54 years old were significantly more interested in Cartoon themes than those 55 and older.

Respondents 55+ were significantly more interested in playing Vehicle themes than those 18-54.

It is important to keep in mind that within each theme category there are specific licensed products that



Graph 1



Graph 2

can run contrary to the general category. For example, although Females express significantly more interest in Instant tickets based on Cartoons and Family Home Games, a game with a “Mad Magazine” Cartoon theme and a Home Game like “Battleship” are preferred by Males.

The licensed product Instant games are perhaps one of the more interesting opportunities for Lotteries to add incremental revenue. When Lotteries only offered a few Instant games on the street at any one time, it may have been undesirable to offer targeted niche games, since it was important for each of the Instant games offered to appeal to a broad market.

However, Lotteries now offer as many as 25 or more Instant games on the street at any given time, with varying price points. That means that niche games with strong appeal to target audiences play a major role in filling the gaps and attaining total market coverage.

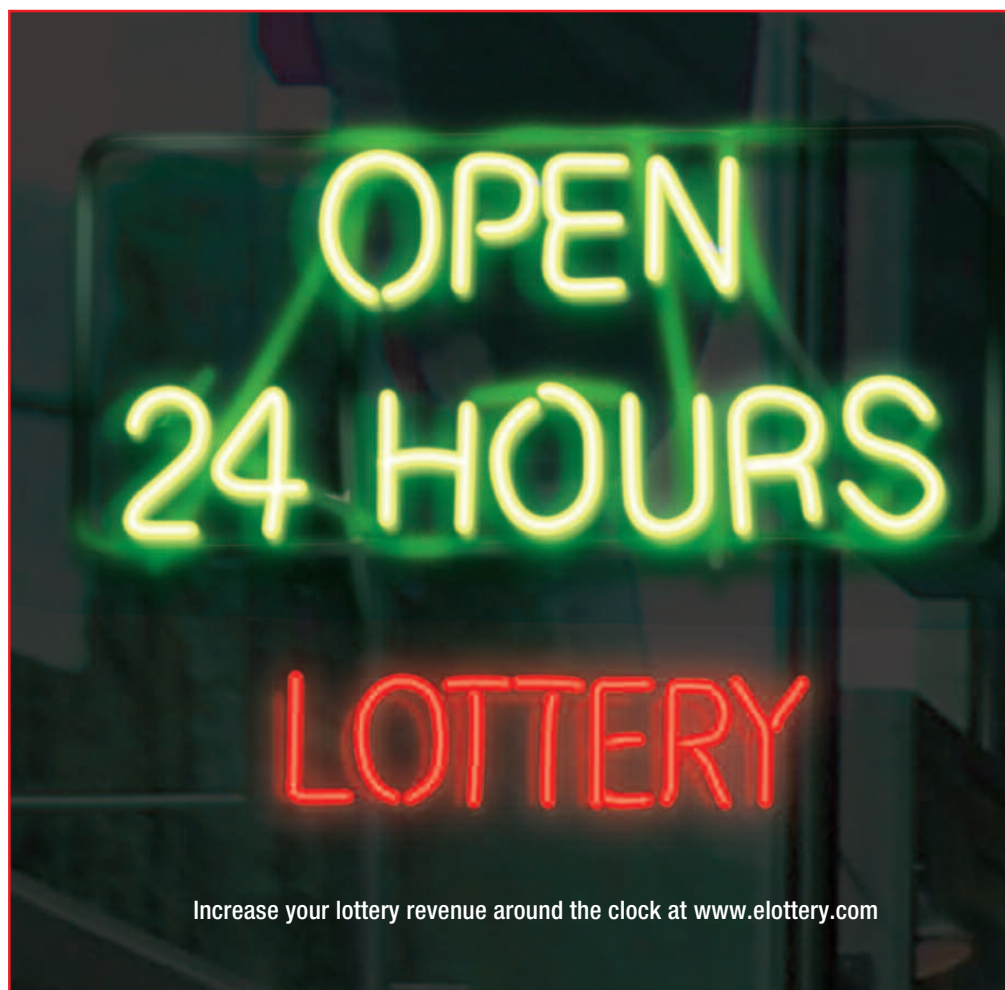
One way of thinking about how the Lottery should properly mix the Instant games is to use the common analogy of filling a jar. First there are the Instant games that have very broad appeal at each of the most widely played price points, they are the large rocks that go into the jar first. Then there are the broadly based niche games that

have strong appeal among large population subsets, such as appealing to large segments of males or females. These are smaller rocks and they fill in the gaps around the large rocks. Finally, many of the licensed product games fit into this next tier of niche games. They add incremental revenue by having strong appeal to even smaller targeted niche markets. The Lottery may deliberately buy fewer of these tickets, since they expect sales to be less, but they can serve the Lottery well since like pebbles, they fill the remaining gaps in the jar.

Look for the next article to break down the results by theme. ♣

NOTE: When findings are called out as being significantly different, the difference is statistically significant at the 95% level.

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



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Special Recognition: West Virginia Lottery Start-Up Employees

Five West Virginia Lottery originals talk about the Lottery's 1986 launch.

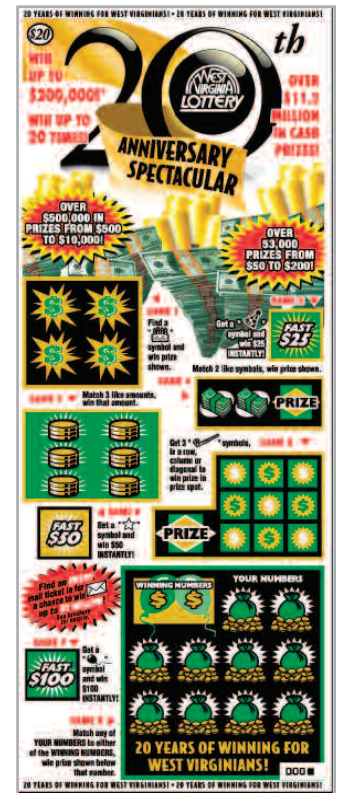
As the West Virginia Lottery celebrates its 20th Anniversary, special recognition is merited for the five employees who have been with the agency since start-up. Accumulatively, they have somewhere in the neighborhood of 100 years' lottery experience.



The five West Virginia Lottery employees who were around for the first day of lottery sales each have their own special tale, but intertwined among their memories is a common thread – how in the world did we accomplish so very much, in such a short time, without the technical help that these days is taken quite for granted?

To understand the roles of the individuals, it might be helpful to understand the transformation of the West Virginia Lottery over the last 20 years.

From the first day of ticket sales on Jan. 9, 1986 to a 20th anniversary celebration packed with a year of monthly second chance drawings, instant tickets packed with prizes, statewide promotions, and a drawing set for next December in which one player will receive \$2 million, the activity has been reflective of



West Virginia Lottery Unveils Plans for 20th Anniversary

Kicking off a year-long 20th anniversary celebration including more than \$22 million in prizes, West Virginia Lottery Director John Musgrave announced the introduction of three instant games, each offering players a chance to win \$3.5 million in second chance drawing prizes.

Musgrave said the monthly second chance drawings would culminate in a grand prize event next Dec. in which one winner will receive \$2 million.

"In celebrating players and profits, we have planned a year of monthly second chance drawings between February and November, in addition to bonus payouts scheduled for Cash25, Daily3, Daily4 and statewide promotions throughout the year that we have dedicated \$4.5 million in prizes to support," said Musgrave.

In addition, he noted that the three instant games offer a combined record of \$18 million in prizes. Musgrave said, *"'20th Anniversary Spectacular,' costs \$20 a ticket but also offers a top prize of \$200,000 and for the first time in lottery history, the instant game includes more than \$11 million in cash prizes. The \$2 ticket '20 Grand' offers nearly \$4 million in prizes, including tickets that will pay some winners up to \$20,000. The \$1 'Quick \$20' game has a top cash prize of \$20 and includes more than \$2 million in prizes."*

"Normally, sales from instant games cannot support such high prize returns, but in using money from our unclaimed prize fund, which must be

returned to players in prizes, we have been able to provide players a year of higher payouts for 20th anniversary games and promotions," Musgrave said.

He explained that when players win an "entry" ticket in any of the three new games, it would make them eligible to enter one of the 10 monthly drawings. Each drawing will award one \$20,000 prize and 19 \$2,000 prizes.

In addition, the 200 winning monthly entries will be eligible for a drawing in which 20 will win a spot in the \$3 million grand prize giveaway scheduled for Dec. 6. In that event, Musgrave said the Lottery would award \$2 million to one winner, \$200,000 to two winners, \$50,000 to seven winners and \$20,000 to 10 winners.

Dates for the 20th Anniversary monthly drawings are scheduled for February 21, April 21, June 21, August 21, October 20, March 20, May 19, July 20, September 20 and November 20.

The Lottery's anniversary activities will also include a Red Ball Bonus promotion for Daily3 and Daily4 players in Feb., as well as a new, Cash25 '20 Up' promotion planned for June, both of which will increase prizes by 20 percent.

Since the first lottery ticket was sold on Jan. 9, 1986, Musgrave said sales have totaled \$8.5 billion, with the state receiving more than \$3 billion in profits. ♦

what early lotteries had to confront and overcome.

With the experience of their sister states behind them, and the efficiency of technology that wasn't even dreamed about 20 years ago, modern-day lotteries owe a debt of gratitude to early lotteries that plowed uncharted territory.

"Within three months, about 10 of us had to write rules and regulations, let and review bids for advertising and instant game vendors, design and distribute tickets, undertake an intensive public relations/education effort, procure agreements from a network of television stations to carry a weekly drawing, promulgate rules and regulations for those drawings, license and train 2,000 retailers and their staffs, and open nine regional offices. It was done in an unfurnished warehouse without walls or light fixtures, without personal computers, without an on-site copier and without \$300,000 in seed money that expired in July, due to a legislative oversight." The third person hired in August 1985, Nancy Bulla, who holds dual titles of Public Relations Manager and Drawing Manager, stopped long enough to laugh, *"To this day, it nearly takes my breath away to think of it all, but it is also an affirmation that people can do whatever it takes to get a job done, and do it well."*

"Well" would be the key word. In its first six months of selling instant tickets, the West Virginia Lottery returned \$20 million to the State in profits and replenished a loan of \$300,000 to the Governor's Contingency Fund for the start-up costs, considerably more than the \$8 million profit figure cited by proponents when the lottery issue was being debated in 1984.

From a population of fewer than 2 million, the West Virginia Lottery now generates more than \$1 billion a year from traditional games, Video Lottery at four racetracks, and Limited Video Lottery at more than 1,700 locations statewide.

Joining the Lottery in October 1985 as General Accounting Manager, Eliza Hall has moved through ranks of finance as Internal Auditor, Acting Deputy Director of Finance and Administration, and Comptroller. She was named Deputy Director of Video Lottery in 2000, and is a Powers Award recipient. *"The impression I had in the early days was that after start-up life would slow down and be smoother. At about 10 years, we realized that was never going to happen. Our world has changed drastically."*

Eliza said that nothing in any of her finance positions could have helped her predict the Lottery's 21st Century revenue figures. *"You have to understand that the state's entire budget was less than \$2 billion a year. Our games now bring in gross profits of over half that much."*

Joining West Virginia's lottery family in December 1985 were Phillip Elliott, as Ticket Accountant; Terri Martin, as Audit Clerk; and Roberta Somerville, first hired as Administrative Assistant to the Deputy Director for Security.

Having now moved to the position of On-Line Ticket Accountant, Phillip Elliott says his first concern was job security. *"I really didn't know how long the agency would last. The prospects seemed good, since there were a few states that had older lotteries. Odd as it may now sound, there just weren't that many lottery states back then. Most of us had never heard the terms 'scratch-off' or 'on-line,' and had no concept of what instant tickets were all about."*

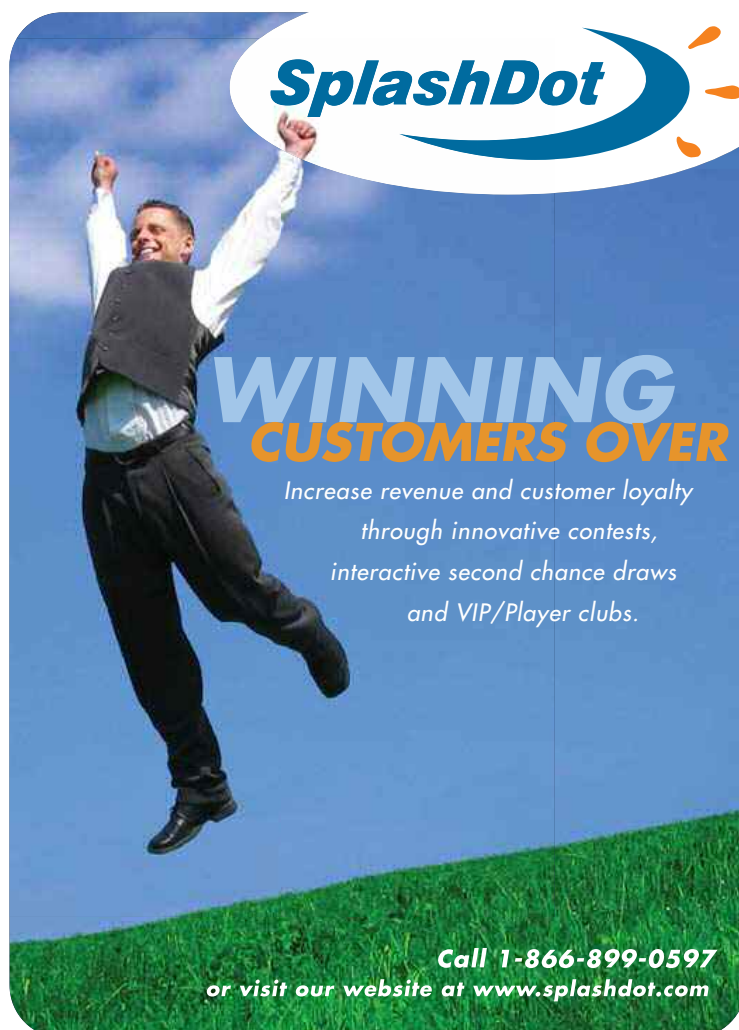
Phillip said he gratefully survived opening day with all ten fingers in tact. *"...there was a buzz in the air at Charleston Town Center,*

a large, excited crowd that couldn't wait for us to release balloons, each holding a free instant ticket. Someone started yelling, 'it's time, it's time,' but since a crowd of people had already surrounded me, I didn't really get to release the balloons like we had planned; they were ripped from me."

Terri Martin is now the Lottery's Human Resources Manager. *"Learning about state government was my biggest challenge, but my greatest memory is one of team work. No matter what department or job duties you performed, we all got along and pitched in to help each other. Our facility was literally coming together around us. There were no walls. Desks touched each other. There weren't many secrets and there were lots of laughs. Twenty years ago, I would never have dreamed of my job today. I feel blessed."*

License Division Supervisor Roberta Somerville feels equally blessed. *"In the beginning, we never really knew when our work day would end. A bit timid, I volunteered to answer phones on opening day, rather than attend the festivities. I sat at that phone for eight solid hours in a constant hang-up, pick-up cadence. By the time I went home, I had developed tennis elbow."*

"There was such a need for speed. We relied on the public to supply us with information, never questioning the submissions. Nonetheless, I still believe that our work ethic, professionalism, and integrity remain unsurpassed. Those qualities are the crux of our sales, and at the heart of the West Virginia Lottery." ♣



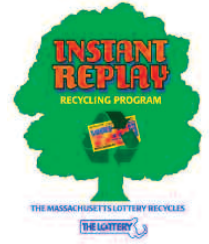
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Instant Replay: The Massachusetts Answer to Lottery Litter



• Thousands of people flocked to the Lottery's Braintree headquarters for a chance to turn their non-winning instant tickets into green – in more ways than one. The Lottery – through its anti-litter program “Instant Replay” – offered a free \$1 instant ticket to anyone over the age of 18 who turned in 25 non-winning tickets. The one-day event netted a total of 16 tons of tickets that were recycled and turned into other useful paper products.

What's not to love about the Massachusetts Lottery Instant Replay program? The program, designed as a cost effective way to control litter and paper waste is not only a hit with players, it's hit with environmental-

ists as well, as the Lottery recently won the “Best Institutional Recycling” award at MassRecycle's 2005 Annual Event & Recycling Awards.

“They don't give these awards out lightly. You really need to shine. I'm pleased that we received the recognition,” said Massachusetts Lottery Executive Director Joseph Sullivan. *“It's something that recognizes us to be a responsible leader in Massachusetts, that we're concerned about the environment. To have it acknowledged is something that we are really proud of.”*

The Lottery is also very proud of the fact that its efforts have resulted in recycling over 100 tons of paper.

“We saved four acres, which equates to about 1,700 trees,” said Sullivan.

Starting the Program

Instant Replay isn't the first attempt at addressing the problem of instant ticket litter. The Lottery ran two 10-week promotions called the Clean Fun Sweepstakes in 2001 and 2002. This was an anti-litter initiative that involved participants sending in \$10 worth of non-winning instant tickets to the Lottery for an entry into a sweepstakes. The program was costly to administer, and was discontinued in 2002 due to budgetary shortfalls.

Some time later, State Treasurer Timothy Cahill directed the Lottery to find a taxpayer friendly way of retrieving non-winning tickets, and in August 2004 Instant Replay was launched.

“The Lottery produces a consumer product that unfortunately isn't always disposed of properly, and as a member of the business and professional com-

munity, we recognize that we have a social responsibility to help combat the issue of litter in Massachusetts,” said Sullivan.

“To do so, we needed to be creative in designing a program that was cost effective and easy to administer. We came up with the idea of an instant ticket as a giveaway because it's our most popular product and a great incentive for people to redeem/recycle non-winning tickets.”

Whereas Clean Fun was a 10 tickets for one raffle entry tradeoff, Instant Replay gives everyone over the age of 18 the opportunity to collect 25 non-winning instant tickets and redeem them for a free \$1.00 instant ticket. In addition to requiring more instants in



Tips on Launching a Lottery Ticket Recycling Program

- Start with creating a “Green Team” at your Lottery (the Massachusetts Lottery Green Team is an assemblage of environmentally conscious employees).
- Assemble a staff of environmentally conscious employees to brainstorm on how the program will work best in the community.
- Check community calendars to find out if there is an event that would welcome the lottery as a co-sponsor.
- Contact a local recycling entity and ask if they could assist in the implementation of the program. ♣

• In September 2005, the Lottery brought the Instant Replay program to The Big E fair in West Springfield. Here a gentleman turns in thousands of tickets for a chance to turn his non-winning games into green.



exchange for a free ticket, the Instant Replay program also solved the administration dilemma by coordinating with outside civic events, removing the need to warehouse the collected tickets. The collected tickets are now sent directly to E.L. Harvey and Sons, a Westboro-based recycling entity, which shreds and bails the paper for re-pulping at no cost.

To date, the Lottery has held 10 regional recycling events throughout the state – mostly at high-profile, highly-visited fairs and events serving large regional audiences. For example, Instant Replay has been featured at agricultural fairs like the Barnstable Fair, Topsfield Fair, Marshfield Fair, The Big E in Springfield, the annual Earth Day celebration in Boston, the Boston Home Show and even a very successful one-day event at the Lottery's Braintree headquarters.

"We've enlisted our personnel here at the Lottery to help staff these agricultural fair booths," said Sullivan. "From a staffing standpoint, we take an employee who would usually be in an office environment for that day and allow them to place themselves at one of these agricultural fairs to handle and process the recycling initiative. That has allowed us to conduct this operation in a tax-payer efficient manner, as well as give our employees an opportunity to get out from behind the desk. It also allows all our employees to buy into this idea."

The Future of Instant Replay

No one can argue with the fact that Instant Replay has been a huge success, and the Lottery is poised to build on that success.

"We are working on the expansion of the program," said Sullivan. "These events generally are week-long promotions and make up about 40 days throughout the year...Our hope is someday to do it on a monthly basis."

In addition to continuing its partnership with the agricultural fairs, the Lottery is looking to align itself with other pro-environment festivals.

"There's a radio station in Boston," said Sullivan. "They sponsor an Earthfest, which is a major gathering of people who are committed to the environment, including significant musicians and public officials. It's happening this year on Memorial Day weekend. We're going to be part of that program this year."

"We're also looking to work with the Fall River Chamber of Commerce this summer on a large event down in the southeastern section of the state."

The benefits of expanding the Instant Replay program are obvious.

"Sometimes, people attend these fairs, and, for whatever reason, they haven't

- The Lottery became a Patron Green Ribbon Friend of MassRecycle in June. Lottery Executive Director Joseph C. Sullivan presented a check for the \$5,000 sponsorship to MassRecycle President Claire Sullivan (no relation). MassRecycle is a non-profit coalition dedicated to promoting environmental, social and economic benefits of managing waste responsibly.

heard about our recycling initiative. It's a reminder to them that they can bring in non-winning tickets and get a redeemable ticket for participating in the program. Even those people who don't play the Lottery, for them to see that the Lottery recognizes that it unfortunately creates some litter, but we're doing something about it, helps us in terms of adding value to the importance of our agency."

The Massachusetts Lottery hopes that more lotteries will launch programs aimed at reducing litter.

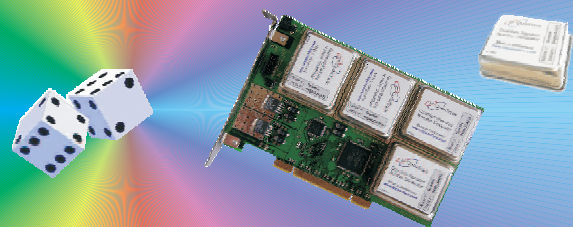
"[Instant Replay] is challenging but it's worthwhile," said Sullivan. "I think lotteries need to be socially conscious of how people discard our product...I would encourage the lotteries to look at this seriously, and to the extent that we can help other lotteries, in being a role model and helping them to establish a program such as this, that's what we want to do."

"We want to be viewed as a champion of lottery recycling initiatives. Not only here in Massachusetts, but across the nation...In many ways it's a challenge to other public agencies as well as private companies that create litter – such as coffee cups or packaging material – that they need to appreciate the sensitivity of litter and do something about it." ♦

True Random Number Generator

«Anyone who considers arithmetical methods of producing random digits is, of course, in a state of sin.»

John Von Neumann, 1951



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Ed Mc Guinn
eLottery President & CEO

How to Create Double Digit Sales Growth for Your State Lottery

One of the great challenges facing state lotteries today is how to stimulate sales in a marketplace that has remained relatively flat for several years. In looking at viable alternatives, one in particular has the potential to help State lotteries achieve double digit sales growth in very short order.

eLottery (www.elottery.com), a leading provider of web-based retailing services to governmental lotteries, remains poised to lead the lottery industry into the e-commerce market. With the continued growth, acceptance and convenience surrounding web based transactions, eLottery represents a solution that warrants a closer look in today's competitive and changing environment.

The eLottery subscription service applies the power of the Internet to offer state-of-the-art functionality for processing and managing subscription services. Using the eLottery subscription

service can quickly and easily open the internet channel for intra-state sales 24 hours a day, 7 days a week. Just how does it work? eLottery becomes a non-exclusive sales agent by simply signing a standard agent agreement with some minor modifications to account for certain unique aspects of the internet channel. eLottery is then responsible for marketing the states' lottery games to residents of its state. Depending on the state, 80-85% of majority aged population has access to the internet. Marketing efforts are targeted to achieve a 5% penetration within 24 months of first ticket sale. This means more than \$1 million in ticket sales per 100,000 of majority aged population.

And it's safe. eLottery's retail ticket ordering system connects to your online game through a secure interface. Simultaneous with entering into an agent agreement, eLottery enters into a technology cooperation agreement with your online provider to develop the interface and certify eLottery's operations.

For a customized presentation of revenue potential and implementation guidelines for your state lottery, please contact Ed Mc Guinn at emcguinn@elottery.com. ♦

Quantum RNG for Lotteries and Gambling Solutions

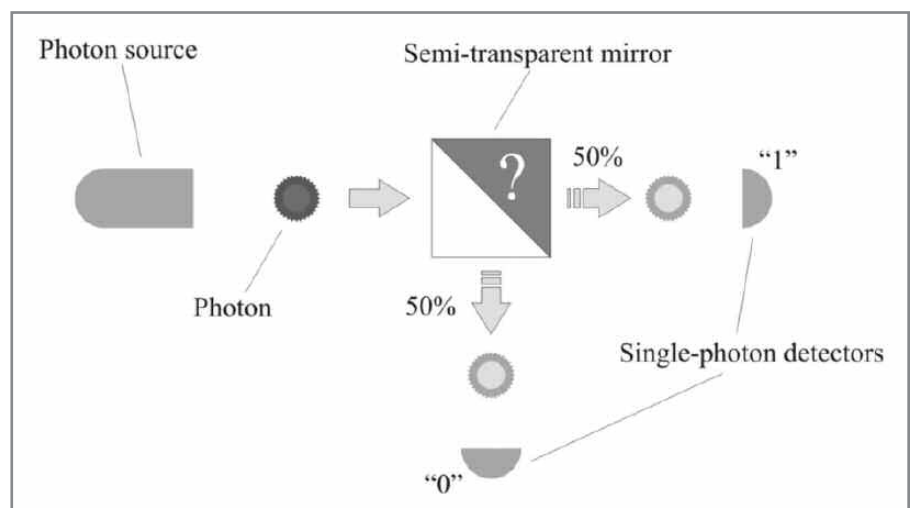
In games of chance, it must not be possible for a player to increase his probability to win by discovering a bias towards certain outcomes in the game procedure. Modern lotteries and gambling machines must be based on the use of true random numbers to guarantee a uniform winning probability.

Optics is the science of light. From a quantum physics point of view, light consists of elementary "particles" called photons. Photons exhibit in certain situations a random behaviour. One such situation, which is very well suited to the generation of binary random numbers, is the transmission on a semi-transparent mirror. A photon incident on such a component, be reflected or transmitted, is intrinsically random and cannot be influenced by any external parameters.

Random number generation is a critical security and reliability criterion in many demanding applications such as Lotteries and Gambling. Because of its intrinsic randomness, quantum physics is an excellent source of randomness. Quantis is a compact, low cost and easy to use random number generator exploiting a quantum optical process as source of randomness. It features a high bit rate output stream – up to 16 Mbits/s – which does not exhibit any correlations and pass-

es all statistical tests. When the generation of random numbers cannot be left to chance, the use of Quantis is the solution! ♦

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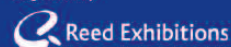
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North Carolina Update

– New Lottery Chooses GTECH

On January 30th, the North Carolina Education Lottery Commission unanimously approved and signed a contract with GTECH to provide both the Online Gaming System and Instant Ticket Lottery Game Services.

"I think we got the most fair, most secure and best deal with the greatest integrity," said NCEL Executive Director Tom Shaheen. "The evaluation process was very methodical and ultimately after negotiations, we got the lowest costs and the best results for North Carolina and education."

During negotiations, Shaheen managed to gain additional benefits for the state from GTECH. Reports show GTECH will receive 1.6% of the sales of the games. GTECH also said it could meet a launch date of March 30 – nearly a week sooner than the NCEL's original target. If GTECH fails to meet that date it must pay a \$100,000 per day fine from March 30 through April 5, and \$400,000 per day beyond April 5. GTECH projected that Powerball would start on May 30. Shaheen stated that he felt the provisions in the contract with GTECH could mean \$30 million more for the state than projected.

GTECH will provide NCEL a fully-integrated online and instant ticket lottery system, lottery terminals, a wireless communications network, Instant Ticket Vending Machines (ITVMs), management of warehousing and distribution of instant tickets, and ongoing services. Under this agreement, GTECH has also partnered with Oberthur Gaming Technologies for the printing of instant tickets. The seven-year agreement is expected to commence on March 30, 2006, the anticipated launch date for instant ticket games, and follows a competitive procurement process.

"We are extremely gratified to be chosen as the full-service provider for the North Carolina Education Lottery's online and instant ticket games," said GTECH President and CEO W. Bruce Turner. "In partnership with OGT, GTECH will offer the North Carolina Education Lottery a complete, end-to-end lottery solution, which is a testament to our unmatched experience in the lottery industry, our proven quality of services, and, most importantly, the integrity and security of our systems."

"GTECH's fully-integrated solution will enable the Lottery to respond to market challenges with accelerated innovation, because we offer more robust reporting tools, a larger portfolio of games ready to market, and a unique set of devices and solutions for retail expansion, allowing the Lottery to effectively manage its growth in the years ahead," continued Mr. Turner.

Under the terms of the seven-year agreement, GTECH will install the Company's Enterprise Series™ technology platform providing both online

and instant ticket functionality, as well as 5,000 Altura® terminals initially. The Lottery has the option to grow the terminal base to up to 10,000 over time. The Company has also agreed to supply up to 1,000 Lottery Inside™ retail point-of-sale (POS) solutions which will allow the Lottery to expand its distribution channels by embedding lottery functionality in existing retailer POS hardware. GTECH will also install and maintain 800 ITVMs, and a state-of-the-art, IP wireless communications network, providing the most secure and reliable data connection between the host computer and lottery retailers.

In addition, GTECH and OGT will work together to create, produce, and deliver instant tickets. *"Executing these tickets from concept to game production is the expertise of OGT, and that expertise will be supported by GTECH's skill in efficient warehousing, distributing, marketing, and selling of the tickets once they are on the market,"* concluded Mr. Turner.

GTECH will provide ongoing services to the Lottery including maintenance of the central system, lottery terminals, ITVMs, and communications network; instant games management, warehousing, and distribution; retailer training; marketing support; hotline management; and field service.

With respect to its agreement with the Lottery, GTECH expects to generate approximately \$225 million to \$250 million in revenue over the seven-year contract term.

Focus Now on Retailers

Now that the vendor question has been answered, NCEL can put full focus on preparing its retail force. In mid-January, the Lottery mailed applications to 8,000 potential ticket retailers, many of whom want to sell the first tickets when they are issued in late March. As many as 5,000 retailers ultimately could sell lottery tickets, but there may be fewer at first because applications had to be in by Feb. 3 in order to participate on the lottery's first day.

Recent reports show that approximately 4,000 potential retailers submitted applications in time to be considered for opening day sales. Retailers whose applications came in after the deadline may not be cleared in time to sell on March 30.

The state Division of Alcohol Law Enforcement will perform background checks on applicants to ensure they meet standards for retailers set out in the lottery law. ♣



Industry News... continued from page 2

artist series with 19th century American lithography Currier & Ives. Currier & Ives complements OGT's hugely successful artist series with images produced not only by Currier & Ives, but the firms "Stodart & Currier" and "N. Currier". OGT's portfolio of world-renown artists have shown global success on lottery tickets; and with the addition of Currier & Ives, this gives OGT another collection that has been truly celebrated throughout time.

Nat Currier and Jim Ives, the creators of these famous historic prints,

produced over 7,500 scenes which included: sentimental images, sports, humor, city and rural scenes, historical portraits, and many more general topics that could easily translate onto traditional, whimsical and seasonal lottery tickets for consumers to enjoy.

Oberthur also extended its licensing relationship with world-renowned artist Will Bullas. Will Bullas has been one of the most successful artists in OGT's licensed portfolio and has been launched by nineteen (19) lottery organizations around the world. ♣

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Video News

Nova Scotia VLT adjustments

Changes to Nova Scotia VLTs are coming at the beginning of 2006. The machines are being adjusted to slow down by 30 percent, and stop buttons are being removed. The Nova Scotia Gaming Corporation expects the adjustments to aid in the goal of more responsible play.

GSA New G2S Protocol Development Milestones

The Gaming Standards Association announced that progress on its new Game-to-System (G2S) protocol has been efficient and steady, and that its Merger Workgroup (formerly known as the BOB Committee), has reached consensus on three substantial development points.

With the first point of consensus, the group has defined a composite meter model that embraces a "flat" methodology combined with a "hierarchical" method enhancing extensibility. "Flat" means that a host can readily get to any meter needed, and the hierarchical addition allows a great deal of forward-flexibility without modification of existing hosts.

Second, where BOB was "state-based" technology, G2S encompasses state-information and adds SuperSAS™ event-based technology. The addition of the event-based technology allows the user (host) to ask for a customizable sub-set of relevant data in compact, rapidly communicated form.

Third, and new to G2S, is an element that existed neither in BOB nor in SuperSAS™; the inclusion of a Slot Machine Interface Board (SMIB), in the G2S architecture. G2S recognizes that there is value in a separate player tracking component; therefore, G2S makes an allowance for retaining a separate SMIB in a slot machine and will include messaging to support such.

Paltronics Onelink to Hooters

Paltronics Inc. announced that the new Hooters Casino in Las Vegas will feature a Paltronics OneLink slot and media system when it opens in February. The state-of-the-art system will run slot games and plasma screens on the casino gaming floor with plans for expansion of

the networked area over the next several months.

Playtech RNG Certified by TST

Playtech received an official random number generator evaluation certificate for its Casino, Poker and Bingo products from Technical Systems Testing. TST has verified through mathematical and statistical analysis in accordance with the strict standards of highly regulated jurisdictions that the Playtech RNG distributes numbers with sufficient non-predictably, fair distribution and lack of bias to particular outcomes.

Bally to Supply Galaxy in Macau

Bally Gaming announced that its Bally Table Management Systems (TMS) division has signed its largest contract to date, a 257-baccarat table deal with Galaxy Entertainment Group to install Bally's advanced MPBacc™ technology in Macau. Already installed at Galaxy's existing Waldo Casino, MPBacc provides a new level of security for the rapidly expanding casino market in Macau. The new order will result in 135 MPBacc intelligent tables at Grand Waldo Casino, 75 at Rio Casino and 47 through an expansion of Galaxy's baccarat table numbers in the near future. Both the Grand Waldo Casino and the Rio Casino are scheduled to open in the first half of this year. Upon complete installation, Bally TMS will have 313 MPBacc units in live operation at Galaxy casinos in Macau.

China LotSynergy to Purchase Octavian, Corich

China LotSynergy is planning to buy 90 percent of Octavian International for HK\$204.5 million. The company hopes the move will allow it to expand operations into Argentina, Colombia, India, Italy, Russia and Spain.

China LotSynergy is also reportedly paying HK\$980 million for a 50 percent stake in Corich International, an investment holding company which owns Tianyi Electronics, the holder of a 10-year exclusive agreement to supply VLTs to Beijing Lottery Online Technology. Last year, China LotSynergy entered into a joint venture with Tabcorp to provide systems for a nationwide keno game in China. ♣

Scientific Games Extending Its Reach... continued from page 8

LW: Scientific Games is quite active in the China market at the present time and both EssNet and Global Draw add capabilities that will help us to further penetrate this market. To date we have not been active in India, but it is a market we are looking at closely.

PGI: How will these acquisitions affect Scientific Games' strategy in North America?

LW: I don't think the acquisition of EssNet will have much impact on our North American strategy. Global Draw, on the other hand, gives us systems capability that enable us to better address certain segments of the North American gaming market, especially those outside the immediate lottery space. ♣

on the internet

Michigan Lottery's MDI-Developed Website Proves Popular

Membership to the Michigan Lottery's innovative Internet-based "Player City VIP Club," developed by MDI Entertainment, has reached almost 80,000 in just its first six months, nearly doubling the population.

The "Player VIP Club" model includes a value-added entertainment infrastructure, adding benefits designed to continually delight lottery consumers and turn them into life-long inhabitants of the world of lottery play.

Patterned after rewards programs that offer consumers value in exchange for actual purchases, the MDI program was designed for situations in which lotteries are not able to track purchases but are interested in providing some means of building long-term lottery player loyalty and satisfaction.

"This feature exclusive to MDI adds another level of entertainment for lottery players and we've received rave reviews from customers who have participated," said Steve Saferin, MDI president. *"As the VIP Club continues to grow in popularity, we encourage all lotteries to visit the Michigan site and let MDI help them add this component to their own websites."*

At Michigan's PLAYER CITY™ Players' Club website, members earn "P.C. Points" for participating in various activities at the website. The most generous rewards are tied to submitting entries into second chance drawings, as those are indirectly tied to the member's lottery ticket purchase behavior. But rewards can also be earned for taking part in polls and surveys, participating in interactive "community projects", signing up for e-mail subscriptions, playing games and completing lottery game tutorials.

Rewards for points earned come in the form of status within the club and actual redeemable value. Members with the most points earn places in the PLAYER CITY HALL OF FAME with special gift incentives tied to being among the points leaders. Members can redeem points for entries into special "Member Only" contests and to receive "Member Only" e-coupons for Lottery products. Within the next month members will also be able to use points to play games located within the club environment, for chances to earn more points.

EGET to Supply GamArena

EGET announced the signing of a Letter of Intent covering the supply of the WinOne™ Gaming Platform and a range of gaming services to the skill games network operator, GamArena AB.

The GamArena skill games network is scheduled to be launched during early 2006. The network will pool players from a variety of online destinations and facilitate cash tournaments across a range of high quality skill games including sports, casino and arcade favorites. Under the LOI, GamArena will utilize various aspects of the

WinOne™ Gaming Platform from EGET including comprehensive reporting and back-office tools. Furthermore, EGET will provide additional gaming services to GamArena including hosting, payment processing and help desk.

In the future EGET and GamArena anticipate utilizing the unique mobile capabilities of the WinOne™ Gaming Platform to deliver on the mobile extension strategy that is core to GamArena's next generation position.

The Lottery Corporation Announces IDEAL Next Generation

The Lottery Corporation, formerly a subsidiary of Games, Inc. has released the newest version of its Customer Relationship Marketing product "IDEAL." The IDEAL system, originally developed for government-sponsored lotteries, will now also be offered to other websites and portals who wish to develop a one-on-one relationship with their customers.

IDEAL allows any commercial or non-profit website to offer its visitors a VIP Club function to allow real-time interaction between the retail website and the customer, including e-mail communications, contests, games, coupons, etc. Through a proprietary template system developed by The Lottery Corporation, the non-technical staff of any website, can administer their database and offer these services to their customers in a matter of minutes. The IDEAL system will integrate seamlessly into any website and will mirror the look of the company's existing website.

EssNet to Focus on Interactive Market

After agreeing to sell substantially all of the assets of its traditional online lottery division to Scientific Games, EssNet announced it will focus strongly on further developing its subsidiary EssNet Interactive's position in the fast developing interactive gaming market.

Shuffle Master Announces Alliance with Sona Mobile

Shuffle Master has entered into a strategic alliance with Sona Mobile, Inc. to license, develop, distribute and market "in casino" wireless handheld gaming content and delivery systems to casinos throughout the world. Under the terms of the agreement, Sona will develop a Shuffle Master-branded wireless gaming platform for in-casino use that will feature handheld versions of Shuffle Master's proprietary table game content as well as other popular public-domain casino games.

GameAccount Brings Skill Gaming to Sky

Sky Bet has chosen GameAccount to support its expansion into P2P games. The deal means that Sky can offer customers Skill Games online, such as Multiplayer Pool, Hi-Lo Solitaire, Mah Jong and the unique P2P Tournament Blackjack format, exclusively supplied by GameAccount. ♠

RACINO NEWS

Florida Slots Given the Green Light

Florida Governor Jeb Bush signed into law a bill allowing slots in Broward County betting sites. The state will receive 50 percent of the machines' profits and must spend the revenue on public schools. The four venues can install the gaming machines within the next six months.

PGCB Receives 25 Facilities' Applications

The Pennsylvania Gaming Control Board has received 25 application submissions for licenses to operate gaming facilities in the Commonwealth. Potential operators were required to submit applications by a postmark deadline of Dec. 28, 2005. The Gaming Control Board has received more than 600 boxes of materials as part of those submissions. The applicants are listed on the agencies website (<http://www.pgcb.state.pa.us/>) by category of license sought.

More New York Casinos?

In addition to an expected \$20 million loan for the NYRA, New York Governor George Pataki's budget plan would add three casinos. The stand-alone casinos could be located anywhere in the state as long as they don't fall within a 15-mile radius of an existing racino. The 15-mile restriction would be lifted for New York city, meaning a casino could be located near Aqueduct.

Magna, Churchill and Racing UK Team-up for Racing World

Churchill Downs, Magna Entertainment and Racing UK, a media rights company and subscription television channel owned by 31 leading British racecourses, announced that the three organizations have entered into a memorandum of understanding for media rights and to develop a subscription television channel to broadcast races from CDI and MEC racetracks, as well as other North American and international racetracks, into the United Kingdom and Ireland.

The new international television channel would be branded "Racing World" and would bring the best North American and international racing to British and Irish viewers. The subscription channel could launch as early as the summer of 2006. CDI, MEC and Racing UK would take equal ownership positions in Racing World with CDI and MEC contributing their respective in-home video and wagering rights in the United Kingdom and Ireland in exchange for a fee.

iCare Delivers Revolutionary New Responsible Gaming Program

iCare™ – the Intelligent Player Care program, a joint venture of iView Systems and the Saskatchewan Gaming Corporation (SGC), has developed a new approach to responsible gaming that offers a comprehensive, integrated risk management tool that addresses the limitations of current responsible gaming practices.

The iCare program integrates responsible gaming into normal Casino operations, ensuring that it becomes part of a corporation's strategic plan and part of good customer service. The iCare system builds on current responsible gaming practices, such as teaching staff to identify signs of high risk behavior and providing players with pamphlets or referrals to counseling and other community resources.

iCare offers two revolutionary features: 1) The ability to capture and

interpret data from the operator's casino management system and identify players at risk, and 2) A management system that can notify operators when players are in the casino, provide casino staff with information about the player's behavior and the appropriate interaction, while delivering a tracking module to document interactions between staff and players.

Calder Braves Rough Weather to Conclude Tropical Meet

Calder Race Course concluded its 34th Tropical Meet on Monday, Jan 2nd. Overall attendance and handle were sharply affected by severe weather and its related consequences, most notably Hurricane Wilma. The damage from Wilma, coupled with widespread power outages, forced Calder to cancel live racing and simulcast wagering for five days and to conduct shortened, turf-only race cards on two days while repairs to the main track's safety rail were completed.

Total wagering, including all sources from 55 days of live racing and 22 days of simulcast-only wagering, was \$321.79 million, and average daily wagering from all sources on all days was \$4.18 million. In the previous year, the Miami-area track offered 55 days of live racing and 15 days of simulcast-only wagering.

Average daily on-track attendance for the 2005-2006 Tropical at Calder Meet was 4,122, representing a 6.49-percent decrease from the previous year's average of 4,408. Average attendance on "dark" days – when the track offered full-card simulcasting – was 808, down 3.31 percent from last year's average of 836.

Fair Grounds Concludes 134th Meet

Fair Grounds Race Course recently concluded a shortened and relocated 134th season of racing. The meet was moved to Harrah's Louisiana Downs in Bossier City, La., after Hurricane Katrina caused significant damage to and forced the temporary closure of Fair Grounds' home site in New Orleans.

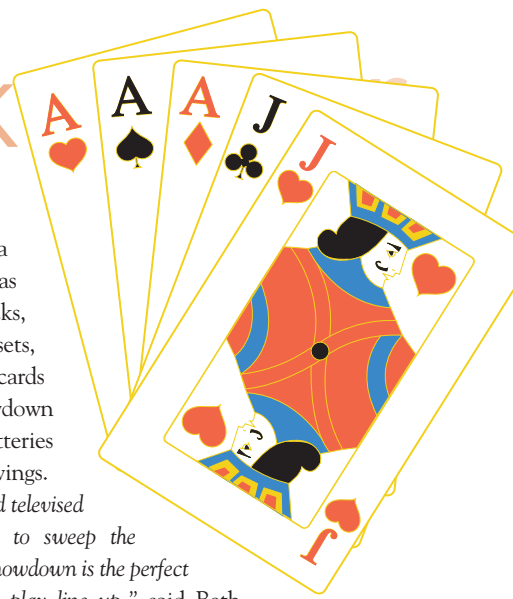
Fair Grounds' traditionally hosts 80-plus days of live racing, from Thanksgiving Day through late March. The 2005-2006 season was comprised of 37 race days, spread from Nov. 19 through Jan. 22. Total wagering, which includes wagers made on track and at simulcast outlets, was \$134.6 million, or an average of \$3.64 million per day. Average daily wagering from all sources was 13.1 percent below the 2004-2005 daily average of \$4.18 million. On-track wagering totaled \$5.96 million, or \$161,252 per day. Average daily simulcast wagering, which includes wagering at Fair Grounds' off-track betting parlors, was \$3.48 million.

MTR Rejects Management-Led Acquisition Offer

MTR Gaming Group announced that on January 25, 2006 the Special Committee of the Board of Directors established to consider the previously announced management-led acquisition proposal from TBR Acquisition Group, LLC to acquire all of the shares of MTR for \$9.50 per share in cash had decided, based on the information reviewed by the Special Committee and its independent financial and legal advisors, to reject the TBR acquisition proposal. The Special Committee has informed TBR of this decision.

The Special Committee determined that the TBR proposal did not sufficiently enhance stockholder value to justify curtailing a process of exploring potential strategic alternatives available to the Company. The Special Committee welcomed TBR to submit an improved offer as a part of this process. ♦

PokerPokerPokerPok



MDI Launches Lottery Poker Tutorial for Lotteries

Lottery players who feel a little inhibited at getting in on the Hold 'Em Poker craze have nothing to worry about now that MDI Entertainment, a wholly-owned subsidiary of Scientific Games Corporation, has developed a new user-friendly website to explain the lottery poker games and enhance a player's experience.

"The popularity of Hold 'Em Poker is sweeping the nation, but sometimes, people who want to get in on the phenomenon are a little hesitant when it comes to playing Lottery Hold 'Em Poker," said Steve Saferin, MDI president. *"That's not the case any longer. MDI has solved that issue with our ultra-easy tutorial website that is proving to be a huge hit with lotteries, retailers and players."*

MDI offers lotteries a wide selection of poker-themed games including Hold 'Em Poker®, World Series of Poker®, World Poker Tour™, and Celebrity Poker Showdown™. Currently, 27 lotteries are running MDI poker-themed games or have a game in production to launch soon. The copyrighted tutorial is available at no charge to any lottery that is selling an MDI-licensed Hold 'Em Poker game.

Two lotteries are already providing the Lottery Hold 'Em Tutorial to their customers on the Internet. The program has been added to the Player Information Center website for the \$10,000,000 Hold 'Em Poker game in Massachusetts, and the tutorial is now featured in the "Game Lab Annex" of Michigan's PLAYER CITY™ VIP site. The Tennessee Lottery is launching its tutorial site next month.

Bob Kowalczyk, MDI vice president of internet services, said that like any other new lottery play style, Hold 'Em Poker has elements that players need to learn in order to discover the fun of playing.

According to Kowalczyk, players actually designed this tutorial, in that it is based on player comments that MDI received in the last year. He said he learned that consumers want to play Hold 'Em Poker lottery games even if they've never played poker before.

Saferin said MDI's website tutorial adds an excellent opportunity for more interaction between a lottery, its games and its players.

"I encourage all of the lotteries doing Hold 'Em games to review the tutorial and make it available to their players through their own websites, because I think the result will be a larger market for Lottery Hold 'Em," Saferin said.

The tutorial is one of two web-based programs for lottery players that MDI is providing to support Hold 'Em lottery games. A second program called HandBuilder™ is nearing release. Kowalczyk said HandBuilder will enable players to enter cards from any Hold 'Em game and have the program automatically calculate the player's best poker hand and whether that hand would have won or lost against their scratch game "opponent."

Celebrity Poker Showdown joins MDI Portfolio of Lottery Licenses

MDI Entertainment has acquired a lottery license for Celebrity Poker Showdown, the hit television series that pits five celebrities against each other to win cash for the charities of their choice, through an agreement with Universal Studios Consumer Products Group.

"Lotteries are always telling us they want to reach the young-adult market. In today's world of poker tournaments, Celebrity Poker Showdown is 'hands down' the leader when it comes to that audience," said Steve Saferin, MDI president. *"Millions of people tune in every week to watch their favorite celebrities joke around and try to knock each other out of the game."*

Top prizes include trips to a live taping of the show in Las Vegas and merchandise packs, consisting of poker chip sets, folding game tables, playing cards and Celebrity Poker Showdown apparel, are available for lotteries to use in second chance drawings.

"The popularity of poker and televised poker tournaments continues to sweep the country and Celebrity Poker Showdown is the perfect addition to MDI's poker-style play line up," said Beth Goss, executive vice president, Universal Studios Consumer Products Group. *"Celebrity Poker Showdown, coupled with MDI's patented Hold 'Em Poker play style, makes this lottery game even hotter."*

In addition to signing the new licensing deal with Celebrity Poker Showdown, MDI also has agreements with the World Series of Poker® and the World Poker Tour™.

WPT and Travel Channel Agree on PPT

WPT Enterprises, Inc continued its massive expansion in January, signing deals with the Travel Channel, Granada Ventures and Sony.

The company recently signed with the Travel Channel in an agreement that will air the highly anticipated PROFESSIONAL POKER TOUR™ television series. The PPT features a series of invitation-only tournaments that are limited to the highest-ranked players in the world. The PPT is expected to begin airing in the 3rd quarter of 2006 on Wednesday nights from 9-11 PM ET/PT, following the completion of Season Four of the WORLD POKER TOUR®. The deal allows Travel Channel to feature 44 weeks of premiere episodes of WPT and PPT programming each year.

WPTE signed with Granada Ventures, ITV, allowing its merchandise, licensing and publishing division to be its European licensing agent for World Poker Tour merchandise. The company is part of ITV, the powerful family of networks broadcasting in the United Kingdom. The WORLD POKER TOUR currently airs every Friday night at 10 on ITV4 in the U.K. – just one of more than 130 international countries and territories viewing the WPT around the globe.

Granada Ventures will be charged with expanding the growing base of regional licensees marketing WORLD POKER TOUR® branded products based on the television show and sports league that launched the worldwide poker boom.

WPT also, through 2K Sports, a publishing label of Take-Two Interactive Software, Inc., will be launching World Poker Tour® for the PSP™ (PlayStation®Portable) this spring.

Aristocrat Signs Distribution Agreement with PokerTek

Aristocrat Leisure Limited has signed a distribution agreement with PokerTek, Inc. of Charlotte, North Carolina to place its interactive, electronic PokerPro™ table systems in casinos across the globe. Under the terms of the agreement, Aristocrat will have exclusive rights to offer PokerTek's PokerPro™ tables, and other PokerPro™-branded technology solutions, to gaming venues across the globe with the exception of most U.S. and Canadian jurisdictions, where PokerTek places product directly. ♣

People



Anthony J. Sadberry was named the acting executive director for the Texas Lottery Commission. Sadberry, a former Texas Lottery commissioner, began his term to head the \$3 billion agency on Tuesday, January 17, with an annual salary of \$114,996. There is no term limitation to Sadberry's appointment as acting executive director.

Sadberry, appointed by former Governor Ann Richards, served on the Texas Lottery Commission from November 1993 until March 2001. He served as the commission chairman from October 1994 to May 1995. He is a graduate of the University of Texas at Austin and received his law degree from the Georgetown University Law Center in Washington, D.C.

"I gladly and willingly accept the commissioners' offer and I'm honored to serve in this capacity," said Sadberry. "I have a strong feeling for this agency and its important role for the state. I look forward to working with the leadership here and will continue to work to the excellence the agency has experienced."

Deputy Executive Director **Gary Grief**, who has been leading the agency since July 2005, returned to his post effective Tuesday, January 17.

SWISSLOS Interkantonale Landeslotterie announced a change of leadership as the Supervisory Board appointed **Dr. Roger Fasnacht** as the new Director of the company. Fasnacht has been heading the SWISSLOS marketing division for the last two years. He is taking over for **George Kennel**, who has reached retirement age.

Trevor Hall, Chief Executive of New Zealand Lotteries Commission, has resigned from his position to take up a new role at Tourism Holdings Limited, effective June 2006. Mr. Hall has lead NZLC since 2003. NZLC plans to commence the recruitment process for a new Chief Executive in the very near future. Mr. Hall is leaving with the Board's blessing, and goodwill, and will continue in his role until June this year.

Robert W. "Bob" Smith, the first director of the Oregon Lottery and a longtime state employee, died January 6 after a decade-long struggle with emphysema. Smith, 76, became the leader of the lottery in January 1985.

Camelot has appointed experienced leisure, retail and packaged goods marketer **Martin Pugh** as its new Marketing Director. Martin joined the National Lottery operator last week, taking responsibility for marketing and communication of The National Lottery brand, as well as the consumer insight, broadcast, interactive channel marketing functions – and the Camelot Design Studio. Leading a team of around 50, he reports directly to Commercial and Operations Director, Phil Smith. Prior to joining Camelot, Martin was Marketing Director at Pizza Hut UK.

Kansas Governor **Kathleen Sebelius** has appointed **Robert Van Cleave** to the Kansas Lottery Commission. Van Cleave has thirty-five years of legal experience and is currently an attorney in private practice. Between 1972 and 1991, he was a partner with McAnany, Van Cleave & Phillips P.A. In 1991, he became counsel at Gates & Clyde, Chtd., before leaving in 1997. A member of the Kansas and Johnson County Bar Association, Van Cleave serves on the Kansas Bar Association Ethics Grievance Panel. He is also a member of the Kansas Bar Association Fee Dispute Committee and Johnson County Bar Fee Dispute Committee.

Van Cleave replaces Carole Gates, who resigned in October.

Cyberview Technology announced that **Todd Elsasser**, a gaming regulatory expert and former Executive Director of GLI, has joined the company as Technical Compliance Director. In this newly created position, Elsasser will manage all technical compliance worldwide for the company's central server-based, downloadable games platform used in casinos, lotteries and other gaming industries. He will work with **Pierre-Jean Beney**, Chief Technology Officer, as the company rapidly expands into new markets with its award-winning platform and other key products.

Becker & Poliakoff, P.A. announced that prominent South Florida gaming law attorney **David S. Romanik** has been appointed to the firm's expanding Entertainment, Sports and Gaming Law practice. Mr. Romanik joins Becker & Poliakoff from his own South Florida private law and consulting firm, David S. Romanik, P.A., offering legal and consulting services to the gaming industry. The appointment of Mr. Romanik adds his 30 years of experience of general civil practice and extensive experience as a lawyer and business advisor to the gaming and thoroughbred racing industries to Becker & Poliakoff's gaming practice. In 2000, Mr. Romanik was President, CEO and General Counsel to the Gulfstream Park Racing Association, Inc., in Hallandale, FL, and that same year was a member of the Board of Directors of the Thoroughbred Racing Association.

The Gaming Standards Association has named **Marc McDermott** as its Technical Director. McDermott was selected from a field of more than 200 candidates from across the U.S. McDermott brings a wealth of experience to GSA, having most recently served as Chief of the Electronic Services Division for the State of Nevada Gaming Control Board.

Aristocrat Technologies, Inc. announced that **Kent Young** has been promoted to Global GM of Marketing, effective February 1, 2006, to oversee the Company's global marketing strategy and direction. For the past three years Young has served as VP of Marketing for Aristocrat's Americas business. Before being named VP of Marketing, Young held a number of positions with Aristocrat including VP of Research and Development; Director of Marketing; and Marketing Manager. He also served two years as a Sales Executive in the New South Wales market in Australia.

GameAccount continues its aggressive expansion plans with the appointment of ex-Tote Business Development Director **Ed Comins** to the newly created role of Sales Director. Ed brings over 15 years industry experience to GameAccount, having also worked for gaming giants Coral Eurobet and Ladbroke Casinos.

WPT Enterprises, Inc. has reached into the NFL's and Clear Channel's playbook to secure a leading sports executive as its new COO. **Peter Hughes**, most recently Executive Vice President for SFX Sports Group, a division of Clear Channel Entertainment, will join the company on January 23 to manage the day-to-day operations and help leverage the company's global growth. Hughes will oversee the production, marketing, licensing, sponsorship, business development and website for WPTE properties domestically and internationally. The WORLD POKER TOUR® is now seen in 130 countries and territories. ♣

Pennsylvania Lottery's First-Ever Raffle Game Proves Great Success



The Pennsylvania Lottery kicked off the New Year by making millionaires out of four lucky raffle winners on Dec. 31, 2005.

Tickets for Millionaire Raffle, a groundbreaking new game developed by the Pennsylvania Lottery, went on sale Tuesday, Nov. 22. Thirteen days later and almost four weeks before the raffle drawing, the last of the 500,000 tickets sold out on Dec. 5. This first-of-its-kind raffle game was designed and expected to sell out quickly, in an effort to minimize its impact on existing Lottery games.

"Like any raffle, the Pennsylvania Lottery's Millionaire Raffle offered a limited number of tickets," said Lottery Executive Director Ed Mahlman. *"While we couldn't predict exactly how players would react or how fast tickets would sell, we expected to sell out early. When the tickets were gone, they were gone."*

Each of the game's \$20 tickets offered a 1-in-125,000 chance of winning one of the four top \$1 million prizes. Those were the best odds ever offered by the Pennsylvania Lottery for winning a \$1 million prize. The game also offered five second-tier prizes of \$100,000 and 500 prizes of \$1,000, for a total of 509 prizes worth \$5 million.

The Lottery's live evening drawing show on Dec. 31, 2005, televised the selection of the four \$1 million top-prize raffle ticket numbers and the five \$100,000 second-prize raffle ticket numbers. The 500 \$1,000 winning raffle ticket numbers were also selected, but were

not televised due to time restraints.

Winning raffle numbers were selected using a random

number generator certified by Gaming Laboratories International, and all winning raffle numbers were available on the Lottery Web site and at retailers shortly after the drawing on New Year's Eve.

All four \$1 million top raffle prizes were claimed within two weeks of the drawing, and the four Pennsylvania Lottery retailers that sold a top prize-winning ticket each receive a \$5,000 bonus.

"By capitalizing on consumers' familiarity with raffles and adding a fresh and new game concept to the online side of business, we found a high-profit tactic to supplement our bottom line," said Mahlman. *"Millionaire Raffle ticket sales generated about \$4.3 million for programs that benefit older Pennsylvanians."*

Once the success of the first-ever Millionaire Raffle is evaluated completely, the Pennsylvania Lottery may offer one or more similar raffles in the future. Mahlman and his staff anticipate that future raffles would continue to appeal to players and succeed for the Lottery, if incorporated wisely and sparingly into annual planning. The raffle concept may also provide opportunities for multi-jurisdictional games. ♣

RoundUP

Arizona

Beginning Wednesday, Feb. 1, Arizona Lottery players can tune-in to ABC15 to view the Arizona Lottery drawings for The Pick™, Fantasy 5™, Pick 3™ and the multi-state Powerball® game. Players will be able to view the respective daily drawings all at once and at the same time everyday. Drawings in the Phoenix market are scheduled to air exclusively on ABC15 at approximately 10:25 p.m. Monday through Saturday, during the evening news.

Beyond providing consumers with a convenient, consistent time slot and a permanent home for all of the drawings, ABC15 has committed to additional long-term marketing elements to support the Lottery as a whole. Included in the station's package is not only a promotional schedule and aggressive campaign to generate excitement about the Arizona Lottery's switch to ABC15, but also continued collaboration including weekly jackpot amount mentions; access to the station's cutting-edge mobile web services; cross-promotional opportunities on their website, at community events and with third-parties; as well as a half-hour show, to air three times a

year, dedicated to showcasing public programs and services that are supported by the dollars raised through the sale of tickets.

The package is solely a value-for-value partnership at no hard costs to the Lottery. In turn, the Arizona Lottery will include the ABC15 logo on all of its outdoor boards in the Phoenix market and direct players to ABC15 for the drawings, on printed Lottery tickets, on their website and on radio traffic commercials.

DC

Negro Leagues Baseball is the theme of the D.C. Lottery and Charitable Games Control Board's 2006 Black History Calendar, "From the Steel Mill to the Baseball Diamond: The Negro Leagues' Homestead Grays." Celebrate the success of the Homestead Grays, one of the most successful Negro Leagues teams, yearlong with the calendar that is available now. This year, in conjunction with the calendar, the D.C. Lottery is producing a 30-minute program about Washington D.C.'s Homestead Grays for District of Columbia Public School (DCPS) teachers to use in the classroom. The program will air on

DCPS Cable Channel 99 starting on February 17, 2006. The posters are free and proudly displayed at numerous locations throughout the District of Columbia.

Georgia

The Georgia Lottery Corporation closed the books on the first half of fiscal year 2006 by announcing the largest second quarter sales and transfer to education in GLC history. Record-breaking first and second quarter transfers to the Lottery for Education Account in fiscal year 2006 will total more than \$396 million – \$15 million more than last year's benchmark. This makes the first six months of fiscal year 2006 the most successful start in GLC history and brings the total raised for educational programs in the state of Georgia to more than \$8 BILLION since the lottery's inception in 1993. Fiscal year 2006 second quarter sales soared to a record high \$794,549,307.

Illinois

Illinois First Lady Patti Blagojevich joined Senate President Emil Jones, Senator Mattie Hunter, Illinois Lottery Superintendent Carolyn Adams, and Illinois Department of Public Health Director Dr. Eric Whitaker to launch a new Illinois Lottery game called Ticket for the Cure - the nation's first lottery ticket dedicated to helping fund breast cancer early detection, education, research, and patient services throughout the state. Each ticket will cost \$2 and have a top prize of \$20,000.

Net revenue from the sale of Ticket For The Cure tickets will be deposited into an interest bearing account in the State Treasury called the Ticket For The Cure Fund. The Illinois General Assembly will appropriate this money solely to the Illinois Department of Public Health who will award grants to public and private entities in Illinois for the purpose of funding breast cancer research, education and services for breast cancer patients and their families. All grants funded by Ticket For The Cure revenue will be reviewed and approved by a special advisory board called the Ticket For the Cure Board.

Iowa

The Iowa Lottery has released a new instant-scratch game that offers more chances for players to win big. The \$35 Million Cash Spectacular, selling for \$10, has more than 1.4 million prizes for players to claim. With a total of \$35 million in prizes available, the top prize starts at \$250,000. There are 40 prizes of \$20,000, 80 prizes of \$10,000, and 1,400 multiple prizes of \$1,000 and under to win.

Kansas

The Kansas Lottery has teamed up with Big Dog Motorcycles™ and Wichita Festivals, Inc. (producer of the Wichita River Festival) to develop a new game that launched on January 5. The new \$2 Kansas Chopper instant game offers a 2006 Big Dog Motorcycles Chopper as the grand prize in a second-chance drawing.



The Kansas Chopper ticket, like other "Made in Kansas" tickets, features the "KANSAS, as big as you think" tagline. "Made in Kansas" tickets are the result of a strategic alliance formed by the Kansas Lottery and the Kansas Department of Commerce for Kansas-themed Lottery games and the promotion of Kansas business and industry. The Kansas Chopper ticket offers a top cash prize of \$10,000. In addition, players can win free admission to the Wichita River Festival if their

ticket has "FREE BUTTON" in the bonus scratch area.

Louisiana

The Louisiana Lottery transferred over \$9.9 million from December revenues to the state treasury department, bringing its calendar year total transfers to \$106.4 million. President Randy Davis said that revenue for December totalling over \$28 million resulted in \$9,919,900 being sent to the state treasury, which allowed the Lottery to meet its budgeted goal for calendar year 2005 despite having nearly 42 percent of its retailer operations adversely affected by Hurricanes Katrina or Rita in the last quarter of the calendar year.

Manitoba

The Manitoba Theatre Centre and Manitoba Lotteries Corporation are pleased to announce their partnership for the 2006 and 2007 MTC Regional Tour. MLC has been a long standing supporter of the MTC and is pleased for the opportunity to extend its support as the Presenting Sponsor of their Regional Tours for the next two years. This year's contribution will assist MTC in presenting the 2006 Regional Tour of Driving Miss Daisy to 21 communities throughout Manitoba and Northwestern Ontario from February 9 to March 8, 2006.

The MLC is also a sponsor for the 2006 Canada Senior Games, to be held August 29 – September 2 in Portage la Prairie, Manitoba. MLC's contribution of \$25,000 will assist the Games Host Committee in providing an opportunity for over 1500 Canadians 55 years or older to showcase their talents, abilities and achievements in a fun and friendly competitive environment.

Maryland

The Maryland Lottery's Keno and Keno Bonus broke the \$9,407,322 record set the week of December 11, 2005. The increase may be attributed to big payouts, seasonal trends and innovative promotions. Recently, Keno and Keno Bonus combined experienced an increase of \$821,881 in sales from the previous record week, bringing sales to a weekly high of \$10,229,203. The Keno Sprinkler promotion, where players have the chance to double or triple their winnings, is believed to be one of the reasons for the climb in sales.

Overall, a steady upward trend can be seen in total Lottery sales for all games. Compared to this time last year, sales have increased by \$46

The Ultimate Lottery Research Panel

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

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million, bringing a total, as of January 1st, 2006 to \$770 million.

Michigan

The Michigan Lottery is starting the New Year off by cross-promoting with Subway restaurants. Subway restaurants will be giving coupons to their customers to redeem at Lottery retailers between January 2 and February 15. Each coupon will entitle the customer to a free, \$1 Classic Lotto 47 easy pick wager. The coupon can be redeemed for a single panel, single draw ticket good for the next scheduled Classic Lotto 47 drawing.

As a complement to the Subway offer, the Lottery will also offer discounts at Subway. All Classic Lotto 47 tickets generated between January 2 and February 13 will contain one of three different discount offers on Subway menu items.

Missouri

Missouri Lottery players can help the Lottery celebrate 20 years of fun and prize-winning with the Lottery's new "20th Anniversary Dream Draw" raffle game. Players can win up to \$200,000 tax-free in the Numbers Game raffle, which started on Jan. 23 and ends on Feb. 23.

"We wanted to do something special for our 20th anniversary on Jan. 20," said Scott White, on-line product manager for the Missouri Lottery. "The raffle promotion is the perfect way to offer unique prizes that reflect the number 20."

White said players who purchase a Dream Draw raffle ticket will have a chance to win \$20 instantly. Instant-win tickets will be generated randomly at the time of purchase and can be validated at the retail location or at any other Numbers Games retail location.

Each week during the four-week promotion, one raffle number will be drawn and the raffle ticket holder will receive a \$20,000 tax-paid prize. During the final drawing on Feb. 24, the Lottery will draw from among all the entries received for the four drawings to award one grand prize:

\$200,000 taxes paid. Raffle tickets will cost \$2 for one 10-digit raffle number or \$5 for three 10-digit numbers. Drawings will be held on Feb. 3, Feb. 10, Feb. 17 and Feb. 24.



New Jersey

The New Jersey Lottery ended the year with another record. Aided by its popular holiday-themed games, the lottery announced a record breaking sales week for instant tickets with \$26.9 million worth of scratch-offs sold from December 22-28. The previous mark for one week sales was \$24.2 million for the week of December 15-21, 2005. In fiscal year 2005, the lottery achieved a record \$2.2 billion in total sales, which included over \$1 billion in instant game sales. The record-breaking sales week centered on holiday-themed games such as the Stocking Stuffer gift pack, Holiday Lucky Times 10 and Holiday Wishes. These scratch-offs were supplemented by sales of long-running favorites such as Crossword, Bingo and Win For Life.

New York

January 20 was the New York State Lottery Night at a Syracuse Crunch game. The first 500 attendees, 18 and over, received a Lotto coupon courtesy of the New York State Lottery. The Lottery also had a

table for fans to enter to receive a NY Lottery coupon or get an autograph from Yolanda Vega.

North Dakota

The North Dakota Lottery launched sales of 2by2 on February 2, 2006. The Lottery hosted official 2by2 launch celebrations at four retailers, including chances for the public to win great prizes. To help kick off the celebrations, the Lottery is offering a "Get 6 Draws for the Price of 5" promotion on 2by2 tickets purchased through February 16, 2006. During the promotion, players who buy a single play, 6-draw 2by2 ticket will get the 6th draw free. 2by2 is also played in Kansas and Nebraska.

Beginning Jan. 1, the lottery also intends to start paying bonuses to North Dakota retailers who sell tickets that win prizes of \$5,000 or more. The Lottery hopes the retailer bonuses will encourage more aggressive ticket marketing, particularly of the "Power Play" option on Powerball tickets.

Oklahoma

The Oklahoma Lottery celebrated its Powerball launch by hosting the January 14 drawing at the State Fair Arena during the International Finals Rodeo.

Ontario

The Ontario Lottery & Gaming Corporation launched the Quest for Gold Instant Ticket Lottery, offering players the chance to win one of ten top prizes of \$1 million. All proceeds from the sales of the Quest for Gold instant tickets will be used to support Ontario's amateur athletes and promote ACTIVE 2010, Ontario's sport and physical fitness strategy.

South Carolina

The South Carolina Education Lottery is reportedly working on a new, user-friendly website that will allow online registration of promotional prizes and second-chance drawings. The Lottery is also reportedly working on a two-minute weekly television game show with prizes of up to \$100,000.

South Dakota

When Pat Fossum became the sixth-largest lottery winner South Dakota Lottery history it wasn't only her life that was changed. Since the 53-year-old mother won \$1 million in a Power Play multiplied Powerball jackpot in October, South Dakota Power Play sales have increased 44 percent.

Tennessee

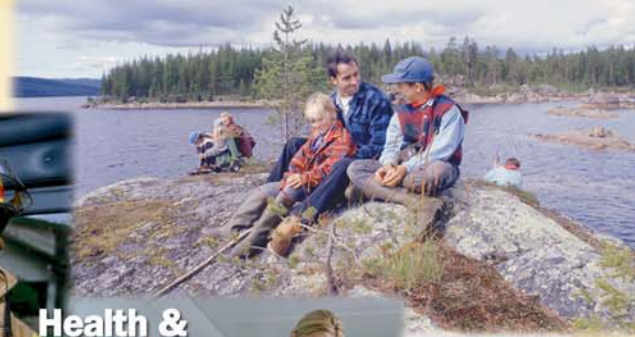
The Tennessee Education Lottery will transfer \$72.2 million to the state's Lottery for Education Fund for the quarter ending December 31, 2005, the highest return since sales began nearly two years ago. The transfer will bring the total raised for education to \$487.4 million, which includes \$478.5 million for education programs such as HOPE Scholarships and pre-kindergarten programs, plus an additional \$8.9 million raised for after-school programs.

Texas

The Texas Lottery Commission is expected to vote on whether to change Lotto Texas to a 6:54 matrix instead of the current 5:44 plus 1:44 matrix. The change would increase the chance of hitting the jackpot while reducing prizes given to non-jackpot winners. ♦

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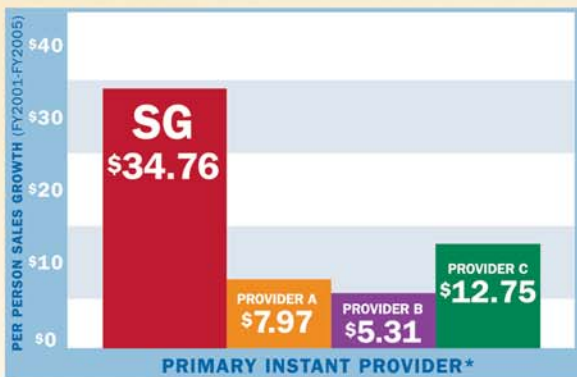


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