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Atlantic Lottery President and CEO

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ON THE COVER:
Atlantic Lottery CEO
Michelle Carinci

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I N T E R N A T I O N A L

Departments

NASPL REPORT2

AROUND THE WORLD.....4

INDUSTRY NEWS6

GUY LINES23

LOTTERY NEWS24

PEOPLE25

ROUNDUP26

Features

- 8 ALC’s CEO – Taking the Challenge**
Atlantic Lottery CEO Michelle Carinci shares about the ALC and her feelings on the lottery industry as a whole.
- 11 The Canadian Gaming Machine Market**
PGI profiles the Ontario and Atlantic gaming machine programs.
- 12 Maintaining High Instant Ticket Sales**
Top priorities for top selling instant tickets (per capita) lotteries.
- 15 Capitalizing on e-Commerce**
While still in its infancy, lottery gaming via the Internet is starting to carve out a very respective niche – especially in Europe, where several lotteries are already successfully selling their wares over the Net.
- 16 Lotteries and Sports Betting**
Several lotteries worldwide see great results with sports betting games.
- 18 The Potential of Wireless Gaming**
Wireless lottery gaming is primed for big results.
- 21 Spotlight on SAZKA – Host Lottery for the 2nd EL Congress**
The EL Congress host shares its highlights and goals.

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Lights, Camera...?

Visual: We open on a shot of an old-fashioned book with the title, "The legend of the luck of the 7." We see the book open and the pages turn. We zoom into the book and reveal a town set in the Southwestern United States circa 1800s.

VO: Our story begins on the seventh year, as the seventh wind blew through the town.

Visual: Cut to a shot of an ailing villager, obviously wealthy, his daughter sits next to him, helping him open a box, which contains 7 medallions.

VO: The ailing village leader grew worse in health...

Visual: Fade to black.

VO: And set out to find his successor. The rules were set

Visual: We see quick shots of the old man's hand as he gives medallions to a couple of men. Cut to a pan across a group of men. We see that each is now wearing their medallions. Each medallion has a number on it - 1 to 6. The men look sinister.

VO: In 7 days of competition, 7 men would compete, to prove themselves worthy of such a position, the town's strongest, wealthiest and most feared.

Visual: Cut to a shot of a medallion with the number 7 on it. We pan back to see the man wearing the medallion has on a hat and a mask. He is the only one that looks like a good man. The End.

Good premise, terrible ending. Unfortunately, unfinished commercials could become the norm if lotteries continue to suffer a decline in their marketing budgets. Since the beginning of the modern lottery, the topic of advertising has always been in the forefront. How much is enough? Do lotteries really need to advertise to be successful? And if lotteries are allowed to advertise, what should the ads look like? These questions are asked across the industry on a daily basis.

Lotteries, similar to just about every other business that markets a product, advertise and promote their products to make consumers aware of them, understand them and ultimately buy them. It would not make any sense to offer a product voters have asked for, and then not support it through marketing efforts.

In the past, several jurisdictions have been forced to cut their advertising budgets and these cuts have had dramatic effects. In 1988, more than 70 percent of the Missouri Lottery's advertising and promotional budget was cut. As a result, sales dropped approximately 25 percent in 16 weeks. Similarly, Connecticut lawmakers cut their state lottery's advertising budget nearly in half in 1992, and sales dropped 18 percent. In both cases, lawmakers restored most funds that were cut the previous year.

In a study conducted at the University of Missouri-Columbia on lottery advertising, Esther Thorson, an associate journalism dean, concluded in her study, "the link between money spent on advertising and sales is strong."

Some might argue lotteries can maintain sales without advertising. And in some cases that argument has been proven. But at what cost? Many lotteries facing a cut in advertising budgets have turned to increasing the number of games offered. These products include video lottery terminals and rapid draw keno.

While the case can be made for continued budgetary support for marketing our products, another issue has surfaced in the recent past that has affected the way we promote our products - advertising standards. If not handled in the proper manner these standards can have the same impact as decreasing advertising budgets. Currently, most new lotteries adopt advertising guidelines before they sell their first ticket and some older more established lotteries are being asked by lawmakers to incorporate these standards as well.

The members of NASPL have compiled a number of advertising standards that oversee the content, tone, audience (minors), game attributes and beneficiary information. Each member lottery is encouraged to include these standards when developing their marketing and advertising practices. These standards can be found on the NASPL website, www.naspl.org

Although specific guidelines vary from jurisdiction to jurisdiction, they often include provisions such as:

- Be in compliance with state and federal standards of truth in advertising.
- Do not imply a promise of winning.
- Do not denigrate the work ethic.
- Do not encourage excessive play.
- Appeal to those over the legal age of play.

So what does that leave us to talk about? A lot. Lotteries that have incorporated some of these standards have not incurred a negative effect on sales. As a matter of fact, some have even seen an increase in sales. Why? Because advertising agencies have been forced to become more creative and have found new more positive messages to use when explaining our products.

For example, the commercial I used at the beginning of this article is proof of that creativity. I realize it ends in the middle (I was trying to make a point), but the real commercial continues and ends in a good old-fashioned cliffhanger. It is the first in a three-part series promoting the Colorado Lottery's new 7 series of tickets, Hot 7s, Sizzling 7s and Super 7s. I shouldn't tell you this, but in the end, the luck of the 7s prevails and the winner, wearing the number 7 medallion, turns out to be the daughter of the ailing old villager, and the commercial concludes by saying it won't be the last time 7 proved lucky (we see a shot of the Scratch tickets) and the announcer says, "see for yourself."

As an industry, we must keep fighting for the right to market our products. But during the fight, we must remain open-minded and turn whatever obstacles come our way into our advantage.

Mark Zamarripa



The PALMS...an Irresistible Experience.

The PALMS, the "in" spot for celebrities, is now an exclusive MDI-licensed property. Available as a theme for your next instant game, the PALMS brand includes VIP trips to the hottest destination in Las Vegas – the PALMS hotel and casino...a resort of elegant extremes.

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Around the World

Australia

Australia's Tattersall's is donating \$1 million over five years to The Cancer Council Victoria's Research Institute for the Tattersall's Cancer Epidemiology Research Floor. The Centre, which is involved in a wide range of research projects, houses the Cancer Epidemiology Centre, which researches the incidence and distribution of cancer in populations.

Ethiopia

Ethiopia's National Lottery Administration has drafted amended regulations restructuring the department into a regulatory agency. The NLA would both operate lotteries and oversee the private sector's participation in lottery games. If passed, the amendment would not allow private companies to run independent lottery operations, but would allow them to join with the NLA in activities that required investment.

Ghana

Kojo Andah, director of Ghana's Department of National Lotteries launched a program to decentralize DNL operations. The plans include opening offices at regional and district capitals, which would cut down retailers' travel time to obtain lotto coupons and books. The DNL is also planning an incentive scheme to reward retailers with vacations, including such countries as the USA, South Africa and Australia.

Greece

Greece is opening its third offering of OPAP shares on the Athens Stock Exchange in June. The government currently holds more than 75% of the company. OPAP has reported that sales for the first quarter are expected to show a more than 30% increase.

Hungary

EssNet has signed a contract with Szerencsejáték Rt, the national lottery in Hungary, to supply new ELOS central system hardware. The system is based on servers from Hewlett-Packard and the contract also includes an upgrade of the current software and a five year maintenance agreement.

Israel

Mifal Hapayis, decided to celebrate Independence Day with an "Independence" package. The package presents customers the gift of a large Israeli cloth flag to be hung on balconies, which is a common practice during the holiday, as an addition to lottery products at a special price of only NIS 55. The holiday package includes: 10 Lotto tables, (without Super Bull); 2 tables of the daily keno-style 777; a table of the Chance number game; a table of the new daily 1-2-3 game; and a new instant card, "My Israel", presenting the flag with the Star of David. The project is accompanied by a television, radio and billboard campaign that will last about two weeks through May 7th, 2003, at a cost of approximately half a million dollars.

The Israel Sports Betting Board has launched two new odds games, Match and Top, adding to Winner, which became a leading and successful brand in the Israeli market after only one year of operation. Income from Winner so far is more than 300 million NIS (US\$65 million).

Jamaica

The Jamaica gaming industry will now be subject to a 15%

General Consumption Tax. The tax is expected to raise approximately \$2 billion in additional government revenue.

Montserrat

Montserrat's legislature has approved (by a 6-5 vote) legislation allowing the British territory to set up a lottery. The government is conferring with a group of investors to establish the Lottery. This will be the island government's first taste of legalized gambling.

New Zealand

The New Zealand Lotteries Commission has instructed its 620 Lotto outlets to turn off their under counter lights in support of the Government's call to action to reduce power usage. As of Wednesday 7 May in recognition of the impending power crisis all Lotto outlets switched off their under counter display lights.

Peru

The International Lotto Corp. has signed an agreement with BellSouth Peru, that will allow ILC to implement a wireless lottery network starting with some 2,000 retail locations this summer. It will be called 'La Grande Lottery.'

Philippines

Philippine Amusement & Gaming Corp. (PAGCOR) has announced a record-breaking income of P5.05 billion for the first quarter of 2003. The corporation's first quarter income is eight percent higher than the same period last year. Since 2001, PAGCOR's average annual growth rate has risen from 14 to 16 percent.

Singapore

Singapore Pools launched a special "Free Singapore From SARS" Draw with an "Instant Scratch Out SARS 'n' Win" game. This special Draw aims to raise funds for SARS-related community causes and to educate the public about SARS prevention in a fun and enjoyable way. Singapore Pools has pledged all net proceeds estimated at \$2 million towards the above. The initiative reminds the public to do their part in fighting SARS, but also encourages Singaporeans to go back to life as usual. To spur this shift, Singapore Pools sponsored the production of 20,000 Taxi SARS Battle Kits (including sanitizers, masks, alcohol swipes and more) to be distributed to all taxi-drivers island-wide.

Thailand

Thailand has launched a receipt lottery to force shop keepers into paying income tax. The lottery, similar to those launched in South Korea and China, has customers using shop receipts as lottery tickets, which should encourage the public to ask for receipts, forcing the businesses to report the sale as income.

Uruguay

VeriFone, Incorporated's hardware and software products have enabled Banca de Quinielas de Montevideo to reduce costs by 80% in operating its lottery in Montevideo, Uruguay. In January, VeriFone began to supply the Lottery with Omni 3750 terminals, equipped with a wireless TCP/IP communications module. VeriFone's solution has enabled Banca to replace its manual method of processing lottery tickets to the implementation of a 100% electronic solution. This has enabled the bank's several hundred agents and dealers that sell the game tickets to increase ticket sales. VeriFone and the Lottery plan to have approximately 1,000 of the wireless terminals installed by the end of the year. ■

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MDI Reaches Agreement with Ford

MDI reached a licensing agreement with Ford Motor Company for North American instant scratch-off lottery games that feature any of the current line-up of Ford, Lincoln and Mercury automobiles, trucks and SUVs, including Thunderbird, Mustang, Explorer and Navigator. The agreement was arranged through The Beanstalk Group, the exclusive licensing representative for Ford Motor Company. The initial term of the contract between MDI and Ford is effective through December 31, 2005.

Lotteries will now be able to prominently feature the famous Ford Oval, as well as the logos and other trademarks associated with Ford, Lincoln and Mercury products, including the famous 'Built Ford Tough' slogan. Lotteries will also be able to access Ford's extensive library of photography and footage to incorporate into their advertising programs in support of the games. Other benefits include pre-approved access to the complete line of Ford products, giving lotteries opportunities to structure a variety of games that appeal to different consumer segments.

Also, MDI will guarantee lotteries discounts off MSRP for all vehicles used in their games and will not require lotteries to pre-purchase vehicles. The Lottery will only pay for the vehicles actually claimed by players.

Scientific Games Reports First Quarter Results

Scientific Games announced results for the first quarter ended March 31, 2003. Revenues for the first quarter of 2003 increased 15% to \$123.3 million compared to \$107.0 million for the comparable period in fiscal 2002. Net income before the non-cash preferred stock dividend was \$11.3 million compared to \$7.2 million in the first quarter of 2002, an increase of 57%. EBITDA was \$34.8 million in the first quarter of 2003 versus \$30.1 million for the first quarter of 2002, an increase of 16%. Diluted earnings per share were \$0.13 in the first quarter of 2003 compared to \$0.10 in the first quarter of 2002.

Revenue increases were primarily due to continued strong sales of instant tickets, the contributions from MDI Entertainment, Inc., the investment in Scientific Games Latino America, and lottery system sales. The EBITDA increase was principally the result of higher instant ticket sales, especially for Cooperative Services customers, system sales, and continued lottery margin improvement. The increases were partially offset by the severe winter weather conditions in the northeast and the war with Iraq, both of which impacted pari-mutuel operations.

Spielo Celebrates Grand Opening

Moncton based gaming supplier, Spielo celebrated the official Grand Opening of its new facility. It was an opportunity for invited guests to see the building that has become home to over 275 Spielo employees, and

get a glimpse of the innovation and technology that is designed in the Moncton facility. It was also an opportunity for Spielo's CEO Jon Manship to announce further expansion (50,000 sq ft) of its building in the upcoming months. The expansion will double the size of the current building.

France Signs OGT

Oberthur was awarded a new contract by La Française des Jeux for the production of a portion of the lottery's instant ticket market. The contract, which spans a 3-year period, includes three one-year renewal options, for a potential six-year period.

GTECH Signs on Rhode Island Deal

GTECH has agreed to a Master Contract with the Rhode Island Lottery that amends existing contracts to give the Company the right to be the exclusive provider of online, instant ticket, and video lottery central systems and services for the Rhode Island Lottery for a 20-year term. The Master Contract is part of a comprehensive economic development incentive package designed to retain GTECH as a Rhode Island-based company.

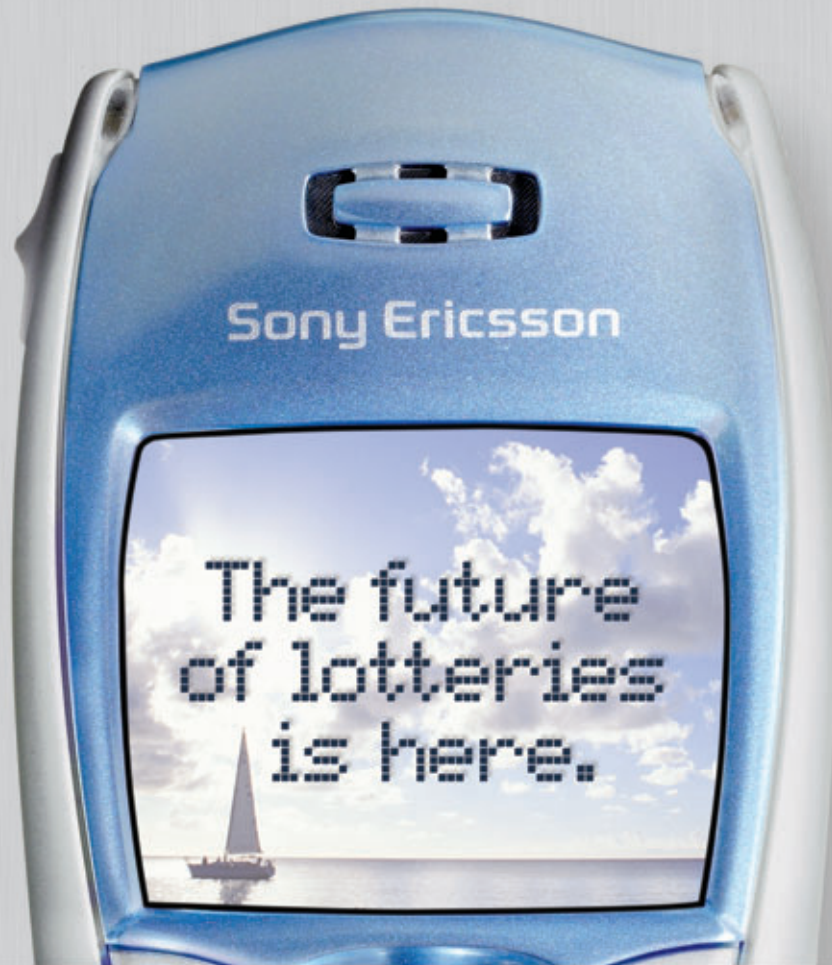
GTECH has agreed to invest in aggregate \$100 million by December 31, 2008. The investment commitment includes a \$12.5 million license fee payable to the Lottery upon the new contract's effective date of July 1, 2003; new online and video lottery related hardware, software, and services; the development of a new world headquarters building in Providence, Rhode Island; and improvements to the Company's existing manufacturing facility in West Greenwich, Rhode Island. An economic analysis conducted by the Rhode Island Economic Development Corporation estimated that GTECH will receive over \$700 million in total revenues during the term of the contract.

Maryland Selects Interlott

Interlott has been named the selected vendor, subject to final approval by the Board of Public Works, to supply up to 250 Instant Ticket Vending Machines by the Maryland Lottery. This will bring the lottery's ITVM network to more than 900 machines. Delivery of the new units is scheduled to begin in July 2003. Interlott also was named the selected vendor to provide service for the new machines as well as for a five-year service contract on the lottery's existing ITVMs.

Apuestas en Linea

A new company, Apuestas en Linea, is being created to develop a new system of real-time betting called Pagatodo. The company is the result of seven Bogota and Cundinamarca lottery and betting companies' investment of eight million pesos. Apuestas en Linea will develop a five-year plan with GTECH for the national on-line betting system. ■



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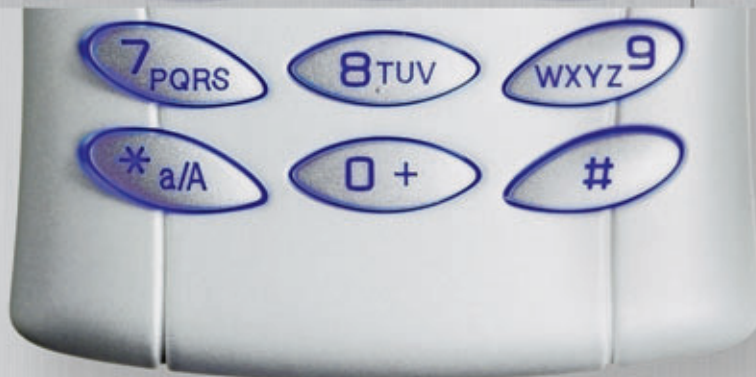
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The telephone shown is the new T68i from Sony Ericsson, with a 256-color display, 101 X 80 pixels resolution and icon-based menu system. Sony Ericsson Mobile Communications AB is a joint venture established in 2001 by Telefonaktiebolaget LM Ericsson and Sony Corporation.

ALC's CEO

Taking the Challenge

For Atlantic Lottery Corporation CEO and President Michelle Carinci the great thing about lottery is the opportunity to make a difference - that's why she's always challenging herself, and the industry, to raise the bar.

Talk to Michelle Carinci for more than a minute and chances are you'll hear a sports term - "the right team," "the right people on the bus;" the phrases that pepper her speech reflect her personal dynamism and her business approach. Here's a woman who radiates energy and thrives on challenge.

Examples? Well in 2001, she became Atlantic Lottery Corporation's chief executive, only the second in its 25-year history. If that weren't challenge enough, she did it four months after giving birth to her second daughter Lia, 29 years after the arrival of Laura, her first child.

ALC is jointly owned by Canada's four Atlantic Provinces, a region Carinci and her husband Jan laud both for its unspoiled physical beauty and for the genuine warmth and friendliness of its people. At ALC, she found an organization of 500-plus employees that had consistently ranked as one of the top 10 lotteries worldwide and contributed \$3+ billion in profits to its shareholders. But Carinci says, "The challenge is to sustain growth. It means understanding the marketplace and creating a new growth curve, prior to this one's decline. To build on ALC's past successes, we have to have an organization that is nimble enough, agile enough and visionary enough to be able to understand and respond to the changing market."

Within ALC, Carinci's focus during her two-year tenure has been on re-aligning the organization to a marketplace that has changed over time. As she says, "Demographic shifts are a real challenge. The changes are remarkable. People don't behave the same way their parents did, so their wants and needs are different. At the same time, retailers have become much more sophisticated, both in terms of their marketing and their internal systems, and you have to be able to integrate with that. In addition to those challenges, we're dealing with a marketplace that has increasing competition from other types of gaming."

That realignment has been a corporation-wide exercise, moving from what Carinci characterizes as a family-type culture, to a team culture. "It's a credit to the caliber of all the people at ALC," she says, "that they were able to undertake what is almost a complete redesign of the organization, while maintaining day-to-day oper-



ALC's senior management team

ations, and exceeding \$1 billion in annual sales for the first time. I am incredibly proud of them."

Appropriately, the move to a team culture has been a team effort. "It wasn't a top-down initiative," Carinci explains. "We had 80-plus managers involved as well as getting feedback from everyone in the organization. It took a little bit longer but I think it was worth it because now the entire organization owns it. In our thinking the market comes first - our players and our retailers. We integrate that back into our strategies and our vision internally; sounds elementary, but I think that it's something all of us in our industry have been guilty of at one time or another, you know, coming up with a great idea and saying let's go sell it but not necessarily because the marketplace needed it."

As well, Carinci has instituted continuous leadership development at every level of the organization. "It's not a one-hit wonder," she says, "It's a process that's got legs, sticky tape if you will."

She crackles with enthusiasm describing it: "People have gone through the first phase of the program. We have peer-to-peer coaching groups - we come back to what we call base camp to check how we're doing and we're actually seeing tangible results in people's thinking and behaviors. The light is going on about how important leadership is on being able to deliver on our personal and our business goals by being completely integrated and seeing the whole picture. Now we're all speaking the same language, we're aligned on our goals even though we acknowledge our differences. We're able then to live within that diversity and accept it - to see that diversity and those differences as strengths versus 'you don't think like me so that must be a weakness.' Put all that together, and we're well poised for going forward."

As for dealing with the marketplace, Carinci's approach is grounded on responsibility. And it's the approach she believes is appropriate for the industry worldwide.

"Twenty-five years ago our industry was truly in the lottery business, selling games of chance, an innocent indulgence," she says. "Over time, in an effort to meet the needs and demands of our changing marketplace, we have diversified into casinos, racetrack slot parlors, multidraw games and VLTs. It's an evolution that has reinforced the need for us to have a positive emotional connection to the player, the public and the stakeholders. In fact, this is critical to our future success. I believe all of us ultimately must position our companies as responsible gaming companies."

Carinci's views on the industry carry the credibility of her 28 years of lottery experience. Indeed, her career matches the trajectory of the North American lottery industry. When she started out in the business in 1975 with the Western Canada Lottery Foundation, she was part of a team of four struggling to pull off four draws a year. Today as ALC's president and CEO, she heads an organization with four offices across the

region, total annual sales of \$1 billion, and an array of on-line draw games, instant tickets and video lottery games.

To maintain that kind of success, Carinci says, means having a vision that employees can be passionate about and that resonates with the public. That vision stems from being passionate about making a difference in the lives of Atlantic Canadians, in the experience of players and in the business relationship with retailers; clarity around what the Lottery is best at and the key associated economic drivers. "I have had the privilege of being mentored by some very talented and caring people, people who believe in making a difference, people who like me feel you've got to have a passion for giving something back."

She continues, "Clearly lotteries exist to maximize revenue, just like any business. Our shareholders expect us to generate profit and

direct our resources towards that goal. But that is not enough. While lotteries generate profits for public purposes, it is also crucial that they align with community values."

For Carinci, job satisfaction comes from making a difference and



Michelle Carinci with her "talented and caring" mentor Guy Simonis, former president of British Columbia Lottery Corporation, and long time colleague, Vic Poleschuk, president of BCLC.

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she says of the industry in general, "The introduction of the lottery has benefited every jurisdiction in which it has been introduced." But, she says, "as we have moved over the line from the lottery into gaming or gambling, we perhaps have moved onto more challenging ground where it is more difficult to convince the public that we live the values printed in our annual reports, that we don't just talk about them."

At ALC Carinci's drive is to ensure that responsibility is central to everything the corporation does. "Our corporate vision is based on the fundamental principle of being a responsible organization, rather than an organization with a responsible gaming program," she says. In fact, the corporation has been a pioneer in introducing responsible play features on VLTs, undertaking responsible gaming training for retailers, and promoting responsible gaming to the public.

Still Carinci wants to see more. "The issue of responsible gaming is a challenge for lotteries everywhere," she says. "It is symptomatic of the migration of our business from its early, simpler days."

She cites the introduction of regulated VLTs as a prime example: "These games have served as a lightning rod for special interest groups. As a result, lotteries that have introduced VLTs into their market outside of destination gaming sites have experienced withdrawals from their bank of public goodwill. This not only has an impact on corporate image but has the potential to affect political acceptance levels required for future growth."

Carinci acknowledges that the industry has responded. She points to the barrage of responsible gaming messages and programs, many of which have had tangible results in heightening education and awareness.

But she still feels the industry collectively has to ask itself some tough questions. One of those is just what exactly is the industry's role?

Can the industry take a leaf from the successful social marketing of the alcohol and beverage industry, which has addressed the issue of problem drinking while maintaining a focus on individual responsibility? Or is the industry destined to take ownership of the problem, a stance many current advertising and marketing campaigns seem to take?

Carinci doesn't say she has the answers. But she believes the questions have to be asked and then answers developed based on facts. "The data we have right now," she says, "is sketchy and suffers from inconsistent collection methods. You can use what is available to support whatever you want to say." What the industry needs, she believes, is deep and robust research that promotes a real understanding of the issues.

Carinci says, "I'm concerned that our current approaches may be short-term, that they may not address the real issues but rather make us feel good about ourselves with the intention of connecting positively with our public."

A more profound response, she continues, may demand "that we be more than an event or program but rather that we become our values in the broader sense, by challenging ourselves on the types of games we introduce, the types of advertising around it, our



One of many ALC 25th anniversary winners

channels of distribution and the sales tactics we use. As an industry, we are unique in that information is shared openly. I believe it is time for our industry to develop best practices for responsible gaming and a vision that can be universally delivered and applied throughout all jurisdictions.

But that's not how she wants to conclude. Because while public scrutiny and media focus may be on problems, Carinci points out that for 98 percent of lottery players, gaming remains "good, clean fun, where they play

and dream, just as they have for decades, without a problem." Carinci's face lights up when she speaks to this aspect of her vision, "The collective worldwide knowledge and learning acquired over the past seven decades of providing fun and entertaining experiences for our players needs to be applied to the new enabling technologies that ultimately will take games of chance to the next level. To raise the bar on creativity and innovation and begin to take meaningful steps towards what we as an industry are best at - creating fun for a dollar.

The challenge, says this woman who likes challenges, is for lotteries to ensure that the fun keeps pace with the market and is developed responsibly. ■



It's important that, individually and as an organization, we give back to the community.

The Canadian Gaming Machine Market

The market for gaming machines in Canada is more diverse and developed than the overall market in the U.S. Some of the jurisdictions run VLTs, while the other operate slots. Public Gaming International recently took the opportunity to profile two of these jurisdictions: the ALC, which operates VLTs, and the OLG, which operates slots.

Atlantic Lottery

Unique Features of ALC's VLT program: ALC's game replacement program is one of the most progressive in the industry. Also, they operate across four provincial jurisdictions that have separate laws and regulations.

Machines and Facilities: All VLTs (there are approximately 8,800) in Atlantic Canada are operated by ALC. They are found in licensed establishments only. There are also slots present in the two casinos in Nova Scotia; however, ALC is not the operator. No changes in the total number of terminals are under consideration at this time.

VLTs and the Bottom Line: VLTs contribute approximately 65% of ALC's corporate profit.

Network Costs: Technical and sales positions are required to support the terminal operations in ALC's VLT network. Regulatory compliance costs for testing, manpower for investigations, and VLT hardware and software costs (hardware replacement on 5-7 year plan, software replaced each year) also come into consideration.

Marketing Machines: Limited marketing campaigns with POS materials are done on site. Mass media marketing is not allowed.

Responsible Gaming Features: ALC VLTs offer four responsible gaming features intended to provide reality checks and interruptions in play: a permanent clock to remind players of the time of day; amounts wagered shown in dollars, not credits; pop-up reminders after certain intervals of play; and a mandatory cashout after 150 minutes of play. Also, materials listing the early warning signs of problem play and where to get help are available at video lottery sites.

In addition to these features, ALC has pilot-tested, and will roll out this year, a comprehensive Retailer Training Program to video lottery retailers in New Brunswick, Prince Edward Island and Newfoundland and Labrador. The program will help retailers and their staff: improve their understanding of problem gambling; gain knowledge of the programs that offer help to problem gamblers; and acquire the comfort and confidence to offer that information. Retailers in Nova Scotia have already completed similar training.

Keys to Success: Distribution has been key to ALC's success. Limited distribution, if possible, is the best model to implement. Keeping games fresh for players, educating them on how the games operate and how to play the product, also has a very positive impact.

Ontario

Unique Features of OLG's Slot Program: Ontario's commercial casino initiative has created more than 27,000 direct and indirect jobs. The estimated value of new economic activity generated by



Machines at an Ontario casino.

all of Ontario's commercial casinos from casino operations and the additional tourists they attract is \$2.4 billion. In FY 02/03, more than 16.5 million people visited Ontario's three commercial casinos.

Two per cent of gross revenue is directed to Ontario programs for the research, treatment, prevention and public awareness of problem gambling. This is more than any jurisdiction in North America. The amount for fiscal 2003/2004 is estimated at \$36 million.

Machines and Facilities: Three Commercial Casinos, six Charity and Aboriginal Casinos and 15 slots-at-racetrack facilities house OLG's 19,834 slots. In June, 2000, the Ontario Government announced a three year pause in the expansion of new charity casinos, new commercial casinos, and charity casinos at race tracks in the province. This moratorium expires in June, 2003.

Marketing Machines: OLG marketing promotions for casinos include customer newsletters, direct mailings to customers, on site promotions, the OLG Web site, radio spots, billboard advertising, and advertisements in local newspapers.

Responsible Gaming Features: Responsible gaming messages ("Play Responsibly") are flashed on the player tracking module on a consistent basis. The messages are shown before play (when the Winner's Circle card is inserted) and at frequent intervals during play. The responsible gaming message is in both official languages (English and French). There are also clocks located in the restrooms of gaming facilities so patrons are aware of the time.

In addition to these features, an extensive promotional campaign was launched, in which the 'play responsibly' message was featured on marketing and promotional materials. Also, the responsible gaming tag line is flashed on-screen of ABM's located within the facilities. Future plans include this tag line being printed out on ABM receipts.

A Windfall for All: To date, OLG's five charity casinos and 15 slot facilities at racetracks have created more than 6,800 direct jobs, thousands of spin-off employment opportunities for suppliers and service providers, and have attracted over 68 million customers. OLG's annual payroll at these gaming sites, which ultimately re-circulates back into the economy, is estimated at more than \$247 million.

The charity casino and slots-at-racetrack initiatives have given more than \$190 million in direct non-tax related revenue to host municipalities.

In addition to this, twenty percent of gross slot revenue at racetracks is evenly split between the track and horse owners, allowing for increased purses, which result in better quality horses and more customers. The slots at racetracks have exceeded revenue and attendance projections. ■

Maintaining High Instant Ticket Sales

While per capita sales may not always be the best way to gauge the sales success of lotteries, it can still be an effective indicator of how a lottery is doing (and certainly more fair than comparing sales success using gross sales). With that in mind, we recently asked some of the lotteries with the highest per capita instant ticket sales what they considered the most important factors in maintaining high instant ticket sales.



Connecticut

Location is everything, especially to Connecticut's Lottery sales. Geographically small, Connecticut is home to a large and diverse consumer base, where persons of both the highest and lowest national per capita incomes live, work and shop in close proximity. Though densely populated with both people and businesses, securing viable retail establishments remains a challenge for the Lottery's staff. Yet, with just one Lottery retailer for every 1,200 persons, the Lottery is aware that an increase in the number of productive lottery retailers is required if they are to

maximize exposure and sales.

For the Connecticut Lottery, a successful retail program is not about licensing every retailer who applies; rather, it's a matter of carefully researching and locating excellent retail locations where Lottery products will receive good placement, and where the retailers are committed to excel in business, and have adequate foot traffic.

Over the last few years, a series of measured risks has paid off in increased per capita for Connecticut's scratch sales. The introduction of higher price points (Connecticut was the first lottery to launch both the \$20 and the \$30 price points) continues to refocus consumer commitment from lower tiers to the higher dollar products, which offer slightly higher prize payouts.

Mature lotteries like Connecticut are faced with the reality that scratch ticket sales velocity, while still accelerating, does so at a slower rate. The trend data seen in Connecticut clearly shows a shift in purchasing habits to fewer tickets, but at higher price points. To note, the average scratch ticket sale rose 40% from July 1999 to April 2003. In that time, the average ticket sale went from \$2.72 to today's average of \$3.90.

Change is also evidenced in scratch ticket designs. Both the \$20 and the \$30 tickets are "oversized" to highlight added play values. Showcased in custom ticket dispensers, a consumer's attention is drawn to higher-end, creatively designed products.

As the first lottery to launch the "Progressive" play style, Connecticut knew through testing that consumer acceptance would be strong. Sales of the highest price point products - \$20 and \$30 tickets - have increased 24.5% in the past year, due both

to the introduction of \$30 tickets and to the launch of the Progressive concept.

Consumers have a right to variety in the products they buy. A rotation of scratch products keeps the Connecticut mix fresh, exciting, and makes sure products get noticed by the consumer.

"Give the customer what they want, when they want it," is a "retailism" equally applicable to the lottery industry. With many options for consumers to spend discretionary dollars (in Connecticut, competition comes from two highly prosperous casinos, OTB, dog racing, and numerous non-gaming entertainment options such as movies and sporting events), focusing on customer preferences is critical.

Through ongoing dialogues with retailers, consumers, field staff and scratch ticket vendors, the Lottery has been successful in creating and maintaining a blend of products to meet customer wants and needs. Constant attention to prize structure, fiscal goals and sales velocity is high on the list of game planning priorities. To achieve this, Connecticut's scratch game planning team includes a variety of personnel: vendors, the Lottery's research director, a fiscal analysis staff member, sales and communications directors, the vice president of marketing, as well as the Lottery president. Connecticut's advertising agency is also tied into the results from these meetings. In Connecticut, launching a successful scratch game is very much a team effort.

This "consumer first" concept has rewarded Connecticut with an attractive and wide product mix, with releases timed to have a high impact, and price-points that they are certain the market will bear.

Vermont

For the Vermont Lottery, prize structure is the most important factor in maintaining high instant ticket sales. The Lottery carefully evaluates prize structures and makes sure that money is allocat-



ed to assure enough mid-tier wins to create "chatter."

The Lottery also varies the top prize amounts (within a range by price point) based on theme and appeal. All members of the marketing & sales department (including the marketing & sales reps) provide input for each and every instant game produced.

Vermont also indicated that game array and price point were very important factors. The Lottery monitors sales by price point and modifies the array as necessary, making sure that array adjustments positively affect net profit. They also balance high roller/traditional/niche games in order to appeal to the broadest possible player base.

Finally, Ticket quantity is very important. The Lottery adjusts ticket quantity (by price point) to make sure games don't get stale. Ticket quantity is tied to game array.



Georgia

For the Georgia Lottery, the most important factor in maintaining high instant ticket sales is knowing what their players like, in terms of play style, themes, etc., at every price point. The Lottery addresses this factor by conducting focus group testing; game-by-game analyses of various points; and forming small, consistent planning groups,

which include Lottery President and CEO Rebecca Paul.

Another important factor for the GLC is having the right product mix in the marketplace at all times - between and within price points. To achieve this, the Lottery maintains the game launch schedule based upon extensive weekly sales analyses, and stresses the importance to plan, plan, plan based upon what's happening to every game in the marketplace.

Rounding out the GLC's top three factors in maintaining high instant ticket sales is the importance of maintaining excellent relationships with retailers, which includes providing consistent, manageable terms for selling the product; as well as making sure the game "launch" and "end" schedules dovetail with their cash management needs. To achieve this, the Lottery stays in constant touch with the retailer base, utilizing all types of communication and a retailer advisory committee. Also, the Lottery keeps the game launch, settlement, and game end schedule as consistent/predictable as possible.

New York

New York's instant ticket sales for the fiscal year ending March 31, 2003 totaled \$2.39 billion. The Lottery has set an even more aggressive sales goal for this year (FY04) at \$2.75 billion, and expects to meet that goal by further refining its current sales strategy and implementing a number of new sales and marketing initiatives aimed at improving product variety and accessibility, diversifying price points, expanding and upgrading the Lottery's autoship delivery network, and increasing the number of product facings per retailer.

In the coming months, the New York Lottery will concentrate on improving and expanding facings at retail statewide to

showcase all hot selling games (games over \$1 million weekly) with more than one facing and double facings of higher priced (\$5 and \$10) Instant Games, where possible. The Lottery will also ensure that retailers receive adequate number of books on hassle free ways to preclude immediate re-ordering, eliminate stock-outs and maximize Lottery marketing support during new game launches, among other initiatives. Early indications are that the Lottery's increased instant game distribution program has positively impacted the overall efficiency and effectiveness of its advertising investment.

Maine

The most important factor for maintaining high instant ticket sales for the Maine Lottery is an agent base that works hard to promote the Lottery. The Lottery does everything it can to make it easy for the agents to sell tickets and handle the Lottery. Agents are provided with good equipment that saves them time and helps them promote, such as keyless validation, and customer ad and transaction displays. The Lottery goes beyond the norm to provide both independents and chains with accounting information, and has been told many times by multi-state chains that they enjoy working with them.

Also important is a staff that is dedicated to making the Lottery the best it can be. Both the Lottery's inside and field staff take care and pride in doing their jobs. Over ten years ago, the Lottery changed its field staff from ticket delivery people to sales and customer service people. The inside staff is fully aware that their good customer service equates to sales. From special in-store promotion days, to fairs and events, to providing information and assistance, Maine Lottery staff strives to go the extra mile.

Finally, the Lottery sees the importance of keeping the games interesting and adding value to them through promotions. The Lottery works as a team with input from many areas to choose and produce the best possible games. They use a wide array of prizes to run special promotions on games to enhance their value, and the staff never loses sight of the fact that at times they have to reward both the players and agents.

New Jersey

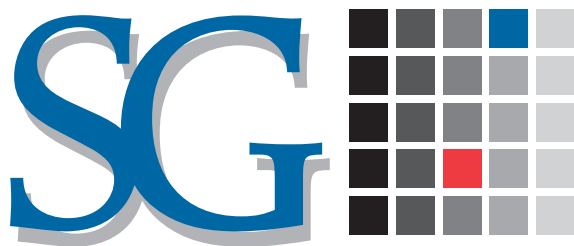
Maintaining customer loyalty among core player groups by offering a variety of base games to meet their expectations is considered the top factor in maintaining high sales for instant tickets at the New Jersey Lottery. The NJL has established





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and maintained a core group of base games that include "Win For Life," "Classic Bingo," "Crossword," "Big Money Spectacular," "Red Hot Doubler," and "Triple Tripler." These games are made available to all retailers on a continuous basis and make up the core menu of games.

Also of great importance is the need to offer regular introductions of branded licensed games with entertaining or nostalgic appeal and added value or promotional opportunities to attract and cultivate new players. The introduction of 3 to 4 brand associated games and games offering non-cash or travel prizes has been an important part of New Jersey's strategy. Through brands, second chance drawings and vacation prize opportunities the NJL has been able to add entertainment value and extend the fun of playing and winning the Lottery, helping to broaden appeal of the overall Lottery brand.

Finally, the NJL recognizes the importance of introducing occasional novelty type games or games with unique play formats to broaden variety. Experimenting with new play formats, packaging and other novelty game ideas such as Holiday Pouch gift packs, gift tags, break open pull tab featured games, various extended play formats, etc. has enabled the NJL to further broaden product appeal, extend product lines and create excitement in the marketplace.

Texas

Ticket inventory and distribution tailored to individual retailer needs is the most important factor in maintaining high Instant ticket sales figures at the Texas Lottery. To ensure that this factor is given the proper amount of attention the Lottery monitors each retailer's inventory and ticket dispenser count, notes special retailer requests on ticket order comment screens and makes sure sales reps check on ticket inventory while in store.

Proper game mix by price point, theme and play style is also very important to the Lottery's strategy. The Lottery plans ahead with an extensive game introduction schedule that includes a good mix of each price point, theme and play style. Also, instant player segments are considered when planning and designing new tickets, making sure to have something fun for each segment.

Finally, the Lottery stresses the importance of having good introduction and print quantity plans with the flexibility of supplemental or shelf games. Texas developed a base game plan that includes main strategies for the proper mix and has additional games - either supplemental short print runs for high volume retailers or generic shelf games to add to the mix as needed. ■



Capitalizing on e-Commerce

While still in its infancy, lottery gaming via the Internet is starting to carve out a very respective niche – especially in Europe, where several lotteries are already successfully selling their wares over the Net.

Accepting Payments

One of the major concerns with selling over the Internet is payment. While many will quickly jump to offer the credit card option, it is important to note that not everyone is comfortable using their credit card over the Internet. Of course, where there's a market there's a way. Here are a few options.

De Lotto (Netherlands) recently began selling Toto over the Internet and via text messaging. In order to play via the Internet or SMS players must venture to www.toto.nl and fill a "wallet". This can be done using a credit card, Internet banking or normal bank transfers. As soon as the wallet has been filled, bets can be made on games.

Another option that lotteries can turn to are pre-paid Internet cards. These can be sold at varying amounts (much like retail gift cards available in the U.S.) at lottery retail outlets, and even "recharged," much like how SAZKA allows customers to recharge phone cards via their online network (see page 18)

North America

Internet gambling is still not a reality for North American lotteries, and not much progress has been made in advancing towards such a goal.

The U.S. Congress is still mired in a years-long debate over how to best ban Internet gambling. Several scenarios have surfaced, some of which make allowances that would allow lotteries to sell products to residents within their jurisdictions, while others have made it clear that lotteries will have to stay off the Net. There's really no telling where legislation will land on this issue until it's made official.

The Supreme Court of Canada recently agreed to shut down the Earth Future Lottery, operating out of Prince Edward Island. The Lottery, which was aiming to raise money for environmental and other charitable groups by selling tickets over the Internet, was ruled illegal because it was selling across provincial boundaries.

Europe

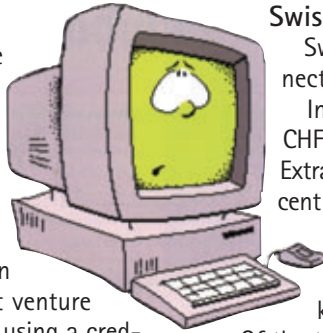
As mentioned above, several European lotteries are selling games over the Internet. The following tells a little about these lotteries' Internet ventures.

Svenska Spel – Sweden

Currently, Svenska Spel sells nine games over the Internet: Lotto, Joker (Spiel), Keno, Oddset – The Long List, The Bomb (a multi-bet-game), The Mix, Stryktipset (1x2), and Italienska Stryktipset, Måltipset (Totogol). Of the games, Oddset – The Long List is the top seller.

In 2002 the Lottery generated SEK 300 million through Internet sales, accounting for 4 percent of the Lottery's online game sales.

Svenska Spel conducts frequent chat and debate sessions with Internet players, and each week distributes a letter to all who are registered for Internet play with the Lottery.



SwissLos – Switzerland

SwissLos offers Swiss Lotto (6 out of 45) with the connected Joker and Extra Joker games over the Internet.

In 2002 the Lottery had an Internet turnover of CHF10,060,058 (Swiss Lotto 7,839,668; Joker 1,269,190; Extra Joker 951,200). These sales accounted for nearly 2 percent of the Lottery's total turnover.

Tipos – Slovakia

Tipos offers two games via the Internet: e-Keno (a keno game) and e-Tipos, a slot machine-styled game. Of the two games, e-Tipos is more popular.

The Lottery started selling games via the Internet on October 1, 2002, so there were only a few months in which to generate sales in FY02. Still, the Lottery managed to sell 2,802.12 Euro in that time period, accounting for .018 percent of overall sales.

Veikkaus – Finland

All Veikkaus online games that are sold by agents can also be purchased via the Internet. They include: Lotto, Viking Lotto, Keno, Joker, Around The World (MaaIlman ympäri), Olympic Bingo, Medal Game, Fixed Odds Betting, Result Odds Betting, Winner Odds Betting, Pools and Horse Games (V5 and V75).

The most popular games on the Internet are odds betting and other games of skill, as well as smaller games like Olympic Bingo and Medal Game.

In FY 2002, Veikkaus generated 56,300,000 Euros via Internet sales, accounting for 6 percent of overall revenue. The Lottery achieved this with very little marketing of Internet sales.

Eesti Loto – Estonia

Eesti Loto offers daily Keno (two draws per day) and a weekly 6/48 Viking Lotto over the Internet. Of the two, Viking Lotto is the most popular, due to the large jackpots.

In fiscal year 2002, Eesti Loto generated 5,098,256 KR in Internet sales, accounting for 3.88% of all Lottery sales.

Spanish Retailing Pioneer

Apparently, Spain's top-selling lottery outlet is in a small town in the northeastern corner of the country and owes its success to the Internet. The outlet, "La Bruja de Oro" (The Golden Witch), is forecasting sales of \$36 million this year.

Why so much success? In 1996, owner Xavier Gabriel decided to start selling tickets over the Internet to appeal to Spaniards living outside the country. Sales continued to increase. In 1999 he sold \$1.2 million, and doubled that in 2000. In 2001 he sold \$6 million.

Many pioneers have had to deal with controversy, and Mr. Gabriel was no different. He eventually had to deal with charges from the Finance Ministry for selling \$3.6 million in tickets over the Internet. In the end, tax authorities ruled his venture legal and the Finance Ministry congratulated him on his marketing tactics. ■

Lotteries and Sports Betting

If there's one thing we've learned about our world in the past year, it's that no matter how hard we try to get along or just agree on appropriate courses of action, the human race is still composed of very different ideas on how many things should be accomplished.

Still, through all our differences, one can see common threads. One of those threads is an intense love of physical competition. It's one of the few things that can bring people the world over together for a peaceful endeavor.

This is why sports betting has such alluring potential. Any place one finds sports there will almost assuredly be people betting on them – either legally or illegally. Of course, jurisdictions that allow sports betting reap the rewards of taxing the activity, while those that don't allow the activity actually lose money, both in speculative tax dollars and in money spent in policing the activity.

Media Build Advances Industry

One of the most important factors in sports betting's rise in popularity has been the proliferation of, and accessibility of sporting events. All over the globe, sporting events are easier to monitor live as increasing numbers of media channels appear on television, radio and the Internet. While the hardcore gamblers can make use of these media channels to scientifically hone their wagers, the casual gambler simply uses betting as a way to transcend mere watching and actually become part of the game. Of course, the bigger the event, the greater the amount of wagering.

This became evident during the 2002 World Cup in Asia. Commerce ground to a halt as people stayed home to monitor this monumental event. The only industry that was booming was the often illegal soccer-wagering industry.

Sports Betting Online

It's been estimated that online sports betting revenue could reach \$10 billion by the end of 2003. It's easy to see why. Sports betting seems made for the Internet.

The Internet is the best way to check up on teams and athletes to get the up-to-the-minute details on each competitor's health and mental state. It only makes sense for gamblers to run a last minute search on a team before heading back to the wagering site to place his or her bet.

Of course, an enormous amount of online sports wagering is illegal, and the industry seems custom fit for illegal operators, as several smaller countries with relatively little industry have allowed scantily regulated betting firms to establish residence in an effort to gain much needed revenue.

The U.S.

It's been estimated that \$80 billion to \$380 billion is wagered on sporting events in the U.S. each year. Yes, that's a pretty wide chasm for an estimate, but sports betting is illegal in most of the U.S., and it's very hard to monitor expenditures in an illegal industry.

Nevada and Oregon are the only states that allow any form of sports

gambling, and Oregon's investment in it is relatively minor – a seasonal Oregon Lottery game called Sports Action that allows players to bet set amounts on combinations of National Football League games.

Nevada, of course, has seen a prolific explosion in sports betting ever since the decrease in the federal wagering excise tax from 10 percent to eventually 0.25 percent on January 1, 1983. In 1973, Nevada sports books took in a gross gambling revenue of \$42 million. By 1998 that number had grown to \$122.5 million ("Gross Annual Wager Supplement", 1999) from \$2.3 billion in wagers.

Benefits of legalizing

The most obvious benefit to jurisdictions that legalize sports betting is the gain in government revenue. Secondly, legalizing the venture would allow that government to regulate the practice to ensure that it stays under control – which is a tremendous benefit to bettors. The major difference between placing a bet in a legalized environment versus an illegal one is that the legalized environments tend to work on a money-up-front basis rather than the credit system utilized with many illegal operations. While this doesn't necessarily ensure that bettors won't wager more than they can afford to lose, it does limit a person to money he or she has access to.

Europe

Sports Betting is very advanced in Europe, and many lotteries throughout the continent are taking advantage of laws that allow players to bet on sports.

Veikkaus – Finland

In 2002, Veikkaus had approximately 50 different sport-types in its Sports Betting program.

The most popular sports are: soccer, ice-hockey and Formula 1. Other games that are often used in the Lottery's sports betting program include cross-country skiing, ski-jumping, horse racing (trotting) and Finnish baseball, among others.

For soccer matches, punters can bet on who will win the match and/or the number of goals in a particular match or matches. In other sports, with Winner Odds Betting it is possible to place a bet on winner, winner and second, winner, second and third, win-

ner of two particular events and winner of three particular events. The Lottery has also used different combinations of results in Sports Betting.

Veikkaus has very close co-operation with many sport organizations, and has offered many sports betting promotions in football and ice hockey matches. The Lottery has also used famous Finnish players in promotions in shopping centers.

The turnover of Sports Betting in 2002 for Veikkaus was about 194,000,000 euros. The Lottery also had two different types of horse betting, which achieved a turnover of approximately 53,000,000 euros. The turnover of Football Pools was about 55,000,000 euros.

The total turnover for Veikkaus in 2002 was 1,089,560,000 euros, so sports betting was responsible for approximately 18 percent of the total turnover. If all sports games are calculated it accounts for approximately 28 percent of the total turnover.

Unfortunately, the net revenue from sports betting is lower than in other Veikkaus games, as its payout to punters is higher than in lottery games.

Loterias y Apuestas del Estado - Spain

Presently, in Spain, players can bet on soccer through a program called "Quiniela" over a total of 15 soccer matches every week.

LAE's total gross revenue from sports betting in 2002 was 456,729,684 Euros, comprising 5.98 percent of the Lottery's 2002 revenue. .

Swisslos - Switzerland

Swisslos is planning to launch Oddset sports betting games in October 2003. The Lottery will start with mainly soccer and hockey games, and will offer 90 games per week in its betting program.

Later on, the Lottery will launch the topen-games with tennis, formula 1, ski alpine and other sports.

Because they are in the planning stages, Swiss Los isn't yet certain of all the possible betting combinations that players will be allowed to make. Possibilities include number of goals, halftime result, handicap bets and who will score next.

Bulgarian Sports Totalizator (BST) - Bulgaria

BST customers are allowed to bet on football matches results through a game called Toto 1. The gross revenue for 2002 on the Toto 1 game was 908,259.30 Leva, which comprised 2 percent of the Lottery's total 2002 revenue.

Svenska Spel

Svenska Spel allows players to bet on all kinds of sporting events except horse racing. Horse racing is taken care of by the state controlled horse betting company AGT, which also operates on the Internet.

Generating 300 million SEK in revenue, sports betting accounted for 20 percent of Svenska Spel's FY02 revenues.

The company offers several sports betting promotions. One features a game, Mixen, that can only be wagered on over the Internet.

SAZKA - Czech Republic

SAZKA customers are allowed to bet on football, hockey, tennis, basketball, motor racing, volleyball, handball, MBL, and cycling. Customers are allowed to place bets on who will win, exact score and even on non-sporting events (i.e. elections).

SAZKA's revenue from sports betting in 2002 was 21,500,000 Euro, accounting for 9 percent of the Lottery's total 2002 revenue. ■

The Exciting World of Sports Betting

Fixed odds sports betting is most probably the game of the new millennium. The figures from all national lotteries testify that a steady increase in Sports Betting has occurred almost everywhere.

Intralot's subsidiary, Betting Company, provides services for the establishment and risk-free management of fixed odds betting to licensed operators around the world. The company has pioneered on-line bet acceptance and risk management technology, thus making feasible the introduction of traditional bookmaking into the large retail chains operated by national lotteries.

Betting Company achieved a huge success and totally changed the map of betting within Greece, after having been awarded a contract from O.P.A.P. (Greek Organization of Football Prognostics) for the provision of organizational and operating services for fixed odds betting games. The company built a system that not only handles ordinary betting operations such as risk monitoring but also provides comprehensive sales network support.

By this cooperation, O.P.A.P.'s infrastructure was considerably bolstered in the sectors of odds setting, risk management, event selection and coupon printing, as well as an expanded marketing and public relations drive, sales support and new product planning.

Key highlights for the fixed odds betting game of O.P.A.P. "Pame Stihima"

- On January 2000, OPAP launched its game "Pame Stihima", which means "Let's Bet".
- 5,000 on-line point of sales
- Minimum stake is 0.30 euro
- Maximum stake: 30,000 euro (per slip)
- Maximum Winnings: 1,000,000 euro (per slip)
- Players can bet on:
 - Football (*all Europe + Latin America*)
 - Basketball (*Europe*)
 - Formula 1
 - Tennis (*to be added in the near future*)
- Punters' Demographics and Attitudes
 - Men 18-45 (*18-29 most positive*)
 - All socioeconomic classes, from all over the country
 - Football and other sports fans
- OPAP sales for fixed odds betting increased from 998 million euro in 2000 to 1.5 billion euro in 2002 (50% growth)

Pame Stihima is supported by an aggressive marketing strategy using all mass media plus advertisements in political and sports newspapers. Because of the great success and huge public interest, there is a phenomenon of many new specialized publications on fixed odds betting. Moreover, it has achieved appearance in all the political and sports newspapers on a daily basis.

In addition to OPAP, Betting Company is currently offering services for the organization and operation of fixed odds betting for Narodna Lutrija, Lottery of Belgrade (Serbia) and Euro football (Bulgaria). ■

The Potential of Wireless Gaming

M-gaming is set to explode. While the Internet will always be a viable medium for selling and marketing lottery products, mobile-gaming is the future, and wireless devices are the vehicle that will drive lotteries to even bigger pay-days.

It's fairly safe to say that none of the current selling channels will become obsolete in the foreseeable future, but it's also very likely that, in the jurisdictions that allow the medium, m-commerce will eventually outpace other sales channels and do it in a more cost-effective fashion.

Several European lotteries are already reaping some of the benefits of m-commerce. The Netherlands, Sweden, Germany, the U.K., Austria, Estonia and Latvia are all allowing wireless customers to buy lottery tickets, bet on sporting events or enter sweepstakes via SMS messaging.

Making Use of What's Available

Of course, even if m-gaming is illegal in a jurisdiction, that doesn't mean a lottery within that jurisdiction can't take advantage of m-commerce. SAZKA, operating out of the Czech Republic, is allowing customers to utilize its 5,700 online terminals to recharge credit on prepaid phone cards of the GSM mobile operator RadioMobil.

On the other side of the world, while it may not necessarily be directly related to income generation, the Virginia Lottery has taken a big step in allowing players to access winning lottery numbers through wireless devices. Any scheme that can get players to equate a lottery with a wireless device is bound to pay dividends in the long run.

Great Expectations

It isn't easy to nail down an estimate of just how much money is currently being generated by m-gaming - let alone

obtain an estimate of how much revenue it is expected to generate in the near future.

Estimates of the current value of the m-gaming market run from \$50 million to more than \$300 million, and some estimates have the market generating 500 million euro in Europe for 2003.

Analysts are expecting a lofty surge in the next few years. Estimates went as far as to suggest the possibility of generating 28 billion euro by 2004, though more conservative speculators see Western Europe generating 3 billion euro in 2005, and nearly 13 billion euro by 2008.

Gaming via wireless devices received a big boost due to text messaging (SMS). The impersonal yet convenient nature of being able to play a game at one's leisure without having to face a clerk or even locate a computer really strikes a chord with the under-34 market, as does the immediacy with which players receive results of the game.

There's a lot of growth potential for lottery games utilizing text messaging. SMS is huge with the under-34 crowd, and is growing in popularity with the over-34s. In the U.K. alone, wireless users send approximately 1 billion text-messages per month. That figure multiplied on a world-wide scale really sheds light on the market-

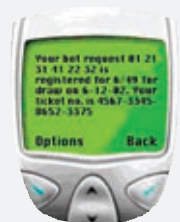
ILTS system brings mobile SMS distribution to India

Playwin Infravest is the largest lottery operator in India, providing online service for the states of Sikkim and Karnataka. Late last year, ILTS helped expand Playwin's distribution channels by installing an expanded version of DataTrak Anywhere, a fully integrated, open betting application that brings enhanced wagering capabilities directly to the player through mobile telephone and Internet betting.

Using DataTrak Anywhere, Playwin has expanded their distribution channels by allowing players to purchase bets using text messaging on their mobile phones (SMS) or through traditional telephones using Interactive Voice Response. The ILTS system provides for anonymous betting, a feature that promotes more spontaneous play, as players are not required to pre-register with the lottery or establish a betting account.

Payment for tickets can be made in any one of three ways: via prepaid lottery cards that Playwin distributes; via the player's monthly invoice for mobile phone service; or via the player's prepaid phone account. Lower tier winnings are credited to the prepaid card or mobile phone account. Larger winnings require the winner to submit a claim form. This requirement can vary by mobile operator.

Since the Government of India recognizes only a printed form of a bet as the official record, the DataTrak Anywhere system was customized to provide a near real-time printing of every SMS and IVR bet using banks of laser printers at the data center. ■



ing potential of m-commerce.

Of course, not every person who utilizes SMS is going to become an m-gamer, but the numbers involved are still staggering. More than 15 million wireless users have ventured into m-gaming. It's been estimated that number could approach 180 million by 2008. The numbers climb even higher when one considers games that don't require a wager (which should be considered, since m-gaming for consideration is illegal in much of the world). By 2002, more than 150 million wireless users played games of some sort, and that number is expected to approach 500 million by 2006.

For lotteries that aren't allowed to sell games via m-commerce, it wouldn't be a bad idea to give these gamers some non-consideration games to play on a lottery site. These games could be used to both introduce players to lottery games they can currently play off-line, and get them feeling comfortable with accessing the lottery site via their wireless device, priming them for the day m-gaming is legal within the jurisdiction.

Of course, some jurisdictions do allow m-gaming, and some lotteries within those jurisdictions have ventured forth to put out a product. Here are some of the lotteries that have tested the waters.

De Lotto, the Netherlands

In an effort to attract a new group of players, namely those players who feel strongly about football, excitement and convenience, De Lotto made it possible for players to register for participation in Toto using the Internet and/or text messaging.

While players must fill a "wallet" with a credit card or bank transfer to play via the Internet, SMS players can have their stake deducted from the telephone credit or billed by subscription. Players utilizing either medium must first register at www.toto.nl.

Folkspel, Sweden

Netgame Factory developed a concept and system for Folkspel called "YeeHaa!" The game is a multi lottery consisting of a traditional scratch card combined with an SMS competition using mobile phones.

"YeeHaa!" allows players to win up to one million SEK (approx. US\$108,000) by scratching three identical symbols on the lottery ticket, and a further one million SEK by answering questions in a knowledge competition which is carried out via text messages. The competitor scratches off an SMS code which is sent via SMS, and receives a question in return.

Eesti Loto, Estonia

Eesti Loto entered into agreements with multiple mobile phone operators to make play possible via m-commerce. Setting up the mobile lottery system did not require any special investment from the Lottery, they simply connected the present Internet lottery environment with the mobile lottery system.

The m-system is linked via online banks with the player's bank account, allowing players to pay their stake automatically. For the time being, it is possible to use mobile phones to play Viking and Keno, with new games soon to follow.

Lottomatica, Italy

Lottomatica became one of the first lotteries to associate a Lottery game with wireless devices. The Lottery offered two games via mobile phones a few years ago - one that could be punched into the phone automatically (with a surcharge of roughly

US\$0.30) and one that could be purchased at retail outlets which uses SMS to notify winners (surcharge of roughly US\$0.050).

The surcharges, combined with the newness of the games provided early problems for Lottomatica. The Lottery found success with coupons, but once coupons ran out players stopped playing. ■

Intralot: "Mobile Gaming Channels - An opportunity to learn your player's profile"

An increasing number of Lottery and Gaming Operators and systems suppliers are targeting to bring to their market services offered via personal interactive channels (e.g. Internet, Mobile Phones, iTV and IVR). The benefits of expanding the existing sales channels to mobile personal devices not only allow an operator to reach his customer at any time and from any point, within his area of jurisdiction, but most importantly enables the operator to create a valuable personal profile for each player.

By leveraging the players profile an operator can perform customer segmentation and market analysis which will indicate the profitability of the offered games, channels and registered player groups. Strategies related to customer fidelity policies can be implemented and new personalized games and services can be designed for increasing the games participation and associated revenues.

Intralot, one of the biggest suppliers of integrated lottery systems has introduced a new platform the Alternative Channels Sales System (ACSS) designed specifically to cover the above requirements. ACSS provides the end-user (games player) with an interface to a Core Betting System functionality over the so-called "alternative channels". The term "alternative channels" includes, but is not limited to the Web, mobile phones (over various interfaces e.g. WAP, SMS, USSD), interactive TV and interactive voice response systems.

The online connectivity to the end-user-owned personal input device permits the operating company to offer enhanced games features and functionality by altering the traditional game interfaces allowing personalized services to be offered to the players. The players can now interact with the system at their own convenience (time & place) and respond to last minutes promotions designed to stimulate their interest and to increase game participation.

The offered platform can be delivered with an integrated Contact Center implementation (PBX, CTI, IVR Call Center) which will serve customer's support and informational queries. Furthermore, ACSS can be used as a Value Added services platform exploiting the inherent support for electronic payment, the existence of the connectivity to the end user devices (sales channel) and the knowledge of the customer information (Customer database). Examples of value added services that can be built on top of the ACSS infrastructure are: ticketing, booking, bill payment, opinion voting and loyalty programs ACSS was designed on an open architecture platform which could easily be extended to support the introduction of value added services and new media channels. ■

Successfully Launching a Mobile Lottery Product Line

Although it may not have occurred to them yet, today's mobile phone users already have their own personal gaming device sitting in their pocket or purse. For lotteries, this means access to their players wherever they may be any time of the day or night. The launch of mobile lotteries offers new and exciting business opportunities for government authorized lotteries as well as direct end-user interaction. Wireless communication offers a revolutionary new sales channel for existing games and the opportunity to launch new interactive game applications.

So, how do you add mobile games to your product mix?

In launching a mobile lottery product line, it is important to offer games that will fit with the "mobile maturity" of your market. Less mature markets require more player education and research into player behavior than those that have a more sophisticated mobile market and a more educated consumer. Consumers who are very familiar with text messaging will adapt to games much faster and be ready for the next generation of games well before markets just now getting into the technology. The table below illustrates these different approaches based on the level of market maturity:

Mobile maturity	Initial approach
The Awakening Low, i.e. low penetration of phones and low SMS-usage.	Research player needs. Educate the market by launching test games, provide player information, etc. Analyze player behavior. Develop player database.
The Education High, i.e. high penetration and high SMS-usage.	Launch SMS game as an add-on to a lottery ticket. Develop player database.
The Growth Advanced, i.e. high penetration and high SMS-usage, as well as high usage of other data services.	Launch stand-alone mobile lottery without the connection to a physical lottery ticket. Market this mobile lottery through strategic push-SMS to the player database that has been built up over time.

Step one - The Awakening

The first phase is designed to meet the needs of the market in its early developmental stage. At this point it is best to add on services to existing lottery products, such as sending the player information on results, draw information and player's club notifications together with a number of promotional sweepstakes and contests. Publicity will be done utilizing existing lottery POS, web site and lottery player magazines which will, in turn, cultivate a group of early users that will be at the foundation of future wire-

less lotteries. The most important aspect of this first phase is to attract customers and to start communicating with them on a continuous basis through this new channel.

Step two - The Education

The second phase is designed to further educate the market. The early users from phase one will transmit the message and spread the positive word-of-mouth needed for this second phase. In order to attract significant numbers of players, the lottery must offer a foundation product line and marketing message that is educational, trustworthy and most importantly fun and simple.



Step three - The Growth

This phase concentrates on growing pure wireless games over the mobile telephone. In this phase, all games are offered only on the mobile phone. This is the future of the product line as to date, no markets have reached the critical mass needed to move in to phase three. The impact of the next generation of technology, including 3G and the expanded use of Java phones, will be crucial to this phase. Based on current adoption and penetration levels we anticipate that a one- to two-year educational phase will be necessary before this becomes a reality in Europe.

The Joint Venture - OberthurNetgameFactory Ltd.

The leading Scandinavian developer of systems and concepts for mobile lotteries, Netgame Factory AB (NGF), has entered into a partnership with a world leader in the instant lottery ticket industry, Oberthur Gaming Technologies (OGT) to jointly develop and market comprehensive lottery systems for the world market.

The two companies have formed a new joint venture company, with a 50 % ownership by each party. The new company focuses on developing and marketing comprehensive lottery solutions to enable mobile lotteries, i.e. both the systems and the actual lotteries and games, as well as operations management and support.

OberthurNetgameFactory Ltd. combines OGT's extensive experience and strong world market position as a lottery supplier, with NGF's technological know-how and experience in developing systems and applications for mobile gaming. Netgame Factory has implemented over 30 lottery and lottery-like contests over the last three years. Applying this experience, the joint venture will offer the most successful mobile lottery platform on the market today. ■



Spotlight on SAZKA

Host Lottery for the 2nd EL Congress

SAZKA, a.s., is the leading operator of number and instant lotteries in the Czech Republic, and is also one of the country's major operators of sports betting. In conformity with its core mission SAZKA significantly supports Czech sports and physical education from the proceeds of games and lotteries it operates, and is the most important non-state provider of funds in this area. In addition to supporting sports and physical education SAZKA contributes to public projects in social, cultural, and charitable areas and in health care.

The Lottery is a member of both the European Lotteries and the World Lottery Association, as well as the host of the 2nd EL Congress. The chairman of the Board of Directors and the General Manager of the joint-stock company SAZKA is the Senior Vice President of the EL lottery organization.

2002-03 Highlights

In 2002 SAZKA, a.s., earned after-tax profit of more than CZK 1.2 billion (approximately US\$43.8 million), an increase of more than 67.6 million (US\$2.5 million) over 2001. The amount transferred to public goods in 2002 was CZK 1 billion (about US\$36.4 million),

more than CZK 40 million (US\$1.5 million) over 2001.

Digital TV: In just a short time, two completely new, progressive TV studios were built in SAZKA's building. The original analog studio was rebuilt and is completely modernized. The Lottery started producing shows in the three new digital facilities at the end of 2002.

Security Standards: In 2002, SAZKA's Board of Directors promulgated a "Security Policy of SAZKA, a.s." prerequisite for maintaining confidence of the public in the system of game operation. The "Security Management Standards" of the WLA Association now constitute the fundamental element of the security policy.

New System: On March 5, 2002, SAZKA commissioned a validation system for its instant scratch-ticket lotteries (the objective of the system is registration and checking the prizes won on scratch tickets). At the same time the working hours of the on-line network for accepting bets on betting games and instant lotteries was extended to all days (including Saturdays and Sundays) from 5:00 a.m. until 24:00 hours.

Big Jackpot: On April 7, 2002, in the 2nd draw of the Sportka game two players won a record Jackpot amounting to CZK 148,583,028 (about US\$5.4 million). The players split the jackpot.

Phone Cards: On April 22, 2002, SAZKA started a service allowing customers to recharge credits of GSM cards through the Lottery's on-line terminals. Initially, the service was only available for T-Mobile's Twist product, but on August 15 it was extended to include the 'Go' SIM cards of Eurotel Praha, spol.

5-Minute Keno: On August 5, 2002, SAZKA launched a new Keno game where draws take place each 5 minutes.

Flood Lottery: On August 14, 2002, the Board of Directors of SAZKA decided to use the new Keno game as a flood lottery, and proceeds throughout 2002 were devoted to the alleviation of the damage caused by the extensive floods that afflicted the Czech Republic in mid-August 2002.

SAZKA Arena: Construction of SAZKA Arena continues in Prague, which will be the venue of the 2004 Ice Hockey World Championship. After the permits necessary under the Czech legislation were obtained and the preparatory work was completed, the foundation stone was laid ceremonially on October 27, 2002. The SAZKA Arena is expected to be completed in March 2004 - ahead of schedule.

Tender for a Smile: In March 2003 SAZKA launched a promotion for the Stastnych 10 'Lucky Ten' product (a Keno-type game) known as "Tender for a Smile". A contest was organized in ten selected Czech cities, where people were allowed to visit mobile SAZKA studios and assume a short, happy smile on camera. An ad hoc expert panel then selected ten winners who, on April 5, split a prize of CZK 1 million.

CRM Training: At the end of March, 2003, SAZKA staff went through training at regional centres in preparation of a

new CRM technology. Employees have already started using the technology in a test regime; its final commissioning is expected soon.

Big Sportka Premium: The Summer 2003 Premium for the Sportka game was introduced on April 2, 2003. At CZK 40 million (US\$1.5 million) it was bigger than usual. A mother of two children won the Premium on April 20, and, together with the then valid Sportka Jackpot, collected the nice sum of CZK 57,112,612 (about US\$2 million).

2nd EL Congress: On June 8-12, 2003, Prague is the sight for the second EL Congress. An unusual number of exhibitors expressed interest in renting a part of the exhibition area and SAZKA, as the Congress host, had to extend the exhibition area to include additional premises inside the Congress Centre.

Focus For the Future

SAZKA has several plans for the near future:

- Maintain or even raise Sportka revenues - the Lottery's most pivotal game.
- Prepare a strategy for increased revenues from scratch-ticket lotteries, optimize their portfolio and launch a TV lottery related to an instant lottery;
- Implement a strategy devoted to development of odds betting in order to win a higher share in the market and enhance profitability;
- Implement and evaluate a pilot project of interactive lottery terminals (ILTs) and create prerequisites for broader expansion into this market segment;
- Prepare the sale of additional non-lottery products;
- Introduce an incentive system for assessment of retailers and a system of suppliers' assessment;
- Analyze the efficiency of the terminal network and the results achieved by individual providers, and start the next stage of network optimization;
- Complete the project involving standard equipment for points of sales;
- Implement programs of career advancement for selected employees and projects of specialized training;
- Optimize the organizational structure of the parent company and individual subsidiaries, thus creating prerequisites for enhancing positive motivation of employees;
- Evaluate the proceeding pilot project of an ILT playroom and implement a project of non-winning gaming machines;
- Prepare purposeful mergers of some controlled companies inside the SAZKA group;
- Ensure transfer of proceeds at the minimum level of CZK 1 billion. ■



Guy Lines

The Comity of Neighbors is alas, not a Comedy...

by Guy Simonis

When the Founding Fathers sat down to write the American Constitution in 1788 they in essence said that the federal government would be responsible for specific areas of governance but that anything not explicitly stated would remain within the right of the 13 colonies, later called states.

Gambling was not at the top of anyone's agenda at that time and therefore the control of gambling and fell to the individual states.

So why would I want to bore you with a story you all know?

Wait! Don't quit reading yet; you might learn something of how that history of state's rights and gambling is repeating itself in Europe, right now, as you read this harangue.

In 1867, Canada too, went through many deliberations for a design of how their new country would work. The Fathers of Confederation agreed that whatever wasn't listed as the Fed's responsibility was left for the provinces to handle. And so, when the colonies of British North America united as the Dominion of Canada – just as with Uncle Sam next-door – gambling did not get on agenda.

Over the century both the U.S. and Canada – although they took different routes – ended up in the same situation. Today state and provincial governments are in charge of games of chance, including lotteries.

Both countries have laws that forbid the sale of lotteries beyond the boundaries of the province or state that authorized the schemes. Plainly put: "You can't sell tickets outside your own jurisdiction! Don't invade your neighbor because he can't invade you!"

Why this restriction, the free enterprisers say. This is where that concept of comity comes in. If, for example, the State of Utah says that they do not want lotteries in their communities, why should outsiders then be allowed to prey on their citizens. And if the province of Quebec wishes to maximize revenues from lotteries and casinos within the bounds of their own moral and ethical restrictions, is it proper for others to introduce lotteries to siphon away Quebec money?

The comity of nations and neighbors says 'no' in both international law and common sense.

This same concept of comity now concerns the countries of Europe who, after centuries of quarreling and fighting with each other, have now joined in the noble cause of a United Europe. This difficult task means that goods, services and people will be or are already able to freely move anywhere within the member states.

The existing barriers to trade and the free flow of workers have taken centuries to erect and many unwarranted privileges still hide behind these walls of protection. The bureaucrats in the European Community's capitol of Brussels have one overriding objective in creating this new confederation. To break down the existing barriers to trade

"Liberalization!" they call it. "Down with the protective walls and level the playing field!"

Therefore you can sell Leyden cheese anywhere in Europe without import restrictions. French wines go wherever they are wanted. And you can sell your lottery tickets everywhere!

Oops! Wait a moment! Did we really mean that about the lottery tickets? What about that comity of nations that says don't do to your neighbor what he himself does not want to do? In joining a United Europe, did these nations abandon their moral and ethical values about gambling? Are all members now subject to the onslaught of the biggest and most attractive lotteries that come to bury their centuries old games of chance?

Is this cry for liberalization really applicable to the field of lotteries, casinos and horseracing?

Those who maintain that lotteries are a product like any other and should not be restricted in cross European trade do not understand that lotteries are NOT a product like any other. Everywhere in the civilized world, lotteries are in-principle forbidden by law. It is only by exception to these universal legislative taboos that carefully selected or created entities are allowed to carry on the business of conducting lotteries.

Such a delicately balanced enterprise cannot be thrown to the wolves of liberalization. There was a reason when centuries ago the ban on lotteries – except those created for special purposes – was first imposed. That reason is still valid today.

I ask my North American readers to consider the utter chaos if suddenly each and every North American lottery ticket could be freely sold anywhere on the continent. Some would drool with excitement and dream about conquests; other would fear their doom is near. A few organizations would rise, many would perish.

That is precisely the concern that is in the hearts of our European colleagues. Already a "coalition of the willing", the lotteries of France, Spain and the United Kingdom, is in the process of forming a joint lotto structure that will have a "home" market of close to 150 million. Those nations with population under 10 to 15 million are watching, waiting and wondering.

Add worrying! ■

Please respond to Guy Simonis at gsimonis@telus.net.

Lottery News

Iowa Legislature Votes to Turn Lottery Into an Independent Authority

Both the Iowa House and Senate approved a 'Reinvention Bill' that would change the Iowa Lottery from a not-for-profit corporation into an Authority, and would remove the Lottery from under the jurisdiction of the Department of Revenue and Finance. If the Governor signs the bill Lottery proceeds would continue to go into the state's general fund, and laws governing the types of games would stay in effect. There has been no indication whether the Governor will sign the bill into law.

Arizona Changes Lottery Buying Age

On June 1, Arizona law changed to make it illegal for anyone under 21-years-of-age to purchase lottery tickets. Prior to June 1, anyone 18 or older could buy. The Lottery put a great deal of effort in communicating the changes to its 18- to-20-year-old market. Language explaining the transition appears on instant tickets as well as information and promotion pieces.

West Virginia Experiences Record Month

With more than \$100 million in sales, March 2003 was the most outstanding month the West Virginia Lottery has experienced since August 2001, when the Lottery reported record sales of \$94.5 million. Unlike August 2001, there was no record Powerball jackpot bolstering sales. The March performance is due mainly to increased video lottery activity at the State's four racetracks, the licensing of 5,078 Limited Video Lottery terminals by March 31, and a week of particularly brisk instant sales early in the month.

Missouri Ad Budget Cut in Half

Missouri legislators agreed to cut the lottery's ad budget by more than half for fiscal year 2004. While the move was made to make room in the state budget, it could backfire if research holds true.

Some research estimates that every \$1 in advertising generates \$10 in lottery sales. The results of this ad budget cut will certainly be a valuable case study for other lotteries. The Missouri Lottery ad budget was cut by nearly 25% last year with little difference in sales.

North Dakota Signs on with Powerball

The North Dakota Lottery has been accepted into the Powerball lottery group. While the state is still months away from being able to sell tickets, they are now officially allowed to do so once they are ready to start selling. Twenty-two states, The District of Columbia and the Virgin Islands currently offer Powerball.

Twelve More Years for Texas

The Texas Senate passed legislation keeping the Texas Lottery running for at least another 12 years. If the bill passes, it will also increase the number of lottery commissioners from three to five and require new commis-

sioners to complete a training course. The bill now returns to the House.

Massachusetts May Get Ad Budget Boost

Reports indicate that the Massachusetts House set aside \$5 million in its 2004 budget plan for Lottery advertising. This would be an enormous budget compared to the Lottery's current \$100,000 allotted for promotions. Some reports speculate that the Senate won't oppose the increase, and Governor Romney has indicated that he would consider approving the budget if it passes the Legislature.

Kentucky Launches Retailer-Exclusive Site

Kentucky Lottery retailers can now order scratch-off tickets on-line and print promotional fliers and signs with up-to-date jackpot information straight off a web site that is dedicated exclusively for their use. The new site, www.kylotteryretailers.com has many other features beneficial to Kentucky Lottery retailers and will soon feature account information.

To order tickets, Lottery retailers simply click to mark the games and number of packs they want. Once they have finalized their order, an Email will be sent to the Lottery's Internal Sales Department. A KLC internal sales representative will then call the retailer to confirm the order.

In addition to this feature, printable jackpot signs for POWERBALL® and LOTTO SOUTH™ will be updated after every drawing, and printable format signs and fliers with winner photos, prizes won, and information on where the Lottery money goes are also available. The site also contains a list and graphics of all scratch-off and pull-tab tickets currently available from the Kentucky Lottery, along with information about prizes remaining in each game, UPCs for each game, game-end dates and last date to claim information in printable and post-able form. Retailers can also download the retailer training manual, along with a variety of printable retailer forms, sales tips, promotion and event information, Play Responsibly Program and Anti-youth Gambling Program information and printable signs, and answers to frequently asked questions to the retailer hotline. Stories featuring retailers and their successes will also be posted and updated.

OLGC Launches New Web Site

The Ontario Lottery now has a single, easy-to-navigate Web site - www.OLGC.ca. Web viewers can click on specific icons for news about lotteries including winning numbers and winners, commercial, charity and aboriginal casinos, and slots at racetrack facilities. Those that click on the Corporate icon will access the Media Centre, where news releases, fact sheets and financial highlights are posted. ■

After serving as the acting executive director for almost three years, **Clint Harris** has been officially appointed to head the South Dakota Lottery by Secretary of Revenue and Regulation Gary Viken. The Lottery became a part of the new Department of Revenue and Regulation on April 17 as part of Governor Mike Rounds' reorganization of state government. Harris says he's happy to be continuing in the position on a more permanent basis. Harris came to the South Dakota Lottery in 1993 as a research analyst and in 1995 became the Lottery's director of administration where he was in charge of the division's accounting, financial reporting, budgeting and consumer systems.

Rebecca Dirden Mattingly was appointed to serve as Secretary of the Florida Lottery by Governor Jeb Bush on March 5, 2003. Because Rebecca has served in the Bush administration, she understands and shares the Governor's vision of slow and steady growth for the Florida Lottery. Secretary Mattingly's leadership will maintain the Lottery's commitment to education and pursue the Governor's goal to transfer \$1 billion to the Education Enhancement Trust Fund annually.



*Florida Lottery Secretary
Rebecca Dirden Mattingly*

Secretary Mattingly is a skilled entertainment executive with a twelve-year track record in both the public and private sectors. In September of 1999 she was appointed Commissioner of Film and Entertainment. During her tenure she was instrumental in boosting economic development of the state's motion picture industry; effectively lobbied and secured passage of legislation to create the Entertainment Industry Tax Exemption; advocated for the growth of Florida's digital entertainment economy; and lobbied successfully for incentives for designated rural and urban areas of Florida, giving them the ability to promote the expansion of film and entertainment companies. Through her leadership and strategic foresight, the film industry expanded to a multi-billion dollar industry.

Secretary Mattingly's passion for public service is deep-rooted. She continues to serve as a civic leader as Chair of the Digital Media Advisory Council - Internet Technology Task Force, Florida Film & Entertainment Advisory Council, Women In Film Central Florida Chapter Board, Subject Matter Expert - State University System of Florida Digital Media Education Coordination Group, Appointed as a Member of the Media Arts Grant Panel for the Florida Department of State.

New Jersey State Treasurer John E McCormac announced that **Virginia S. Bauer** has been named the acting executive director of the New Jersey Lottery. Gov. James McGreevey is expected to formally nominate Ms. Bauer as Executive Director of the Lottery soon. Ms. Bauer, formerly a financial planning and account management executive for Merrill Lynch, as well as a board member of Family and Children's Services, is a September 11, 2001 widow, and has been a key activist on behalf of the families of the 9/11 victims. She spearheaded efforts to enact federal tax relief legislation for surviving family members and is assisting in the creation of a new development plan for the WTC site in lower Manhattan.

North Dakota Attorney General Wayne Stenehjem named **Charles Keller** as the Acting Director of the North Dakota state Lottery. Keller, who has worked in the AG office for twenty years is currently the chief auditor of the state's Gaming Division.

Kurt Freedlund has been named Acting Director of the Illinois Lottery by IL Gov. Rod R. Blagojevich. A graduate of Northwestern University School of Law, Freedlund has served as the Illinois Lottery's Chief Legal Counsel since 1995, and previously served as Chief Transportation Counsel to the Illinois Commerce Commission.

James Acton Jr., has been named the Massachusetts Lottery's new chief of staff to Director Joseph C. Sullivan. Acton is a former senior manager for government relations.

Charles McIntyre has been named the MA Lottery's new general counsel. McIntyre, who is succeeding James Driscoll, has been a prosecutor in the Norfolk District Attorney's Office for the past eight years.

SA Lotteries is pleased to announce the appointment of **Tamsyn Alley** to the Executive position of Group Manager - Marketing and Sales. Having managed SA Lotteries' corporate marketing and public relations activities since 1996, Tamsyn has extensive experience within the international lotteries industry. Tamsyn is also credited with having developed and marketed the highly acclaimed World Lottery Association Congress that was attended by more than 800 lotteries industry representatives from 62 countries when it was hosted by SA Lotteries in November last year.

After seven years as chairman of the board of Svenska Spel, **Mr Bengt Åke Berg** handed over the gavel to banker **Anders Gustafzon** of Föreningsbanken. Gustafzon worked for 16 years in the old Swedish Lottery Gaming Board before joining the Bank.

After 7-1/2 years, **Mary Willrich** has resigned from Schafer Systems. She will be going back to being a paralegal at the law office where she worked for more than fourteen years before coming to Schafer Systems. ■

Atlantic

The "advance play" feature will no longer be available on the Atlantic Lottery's Wild 5 purchases. This feature was not popular among Wild 5 players (fewer than 4% used it) and the change is expected to have very little impact.

Colorado

The Colorado Lottery is preparing for a Summer of Bingo in support of a new \$3 Bingo Scratch ticket. The Lottery will be staging various games of Human Bingo, at events across Colorado and the Human Bingo games rely on audience participation.

The promotional Bingo games will also be tailored to the event that they are being staged at. There are a series of Human bingo games scheduled at 14 different concerts, which will have a "music bingo" theme. At "Puppy Palooza", a Colorado Lottery sponsored event, dogs get to attend a baseball game with their owners in a special section. A puppy bingo game will be held at the event and will involve the participation of pet and owner. At all of the events, Bingo Scratch tickets will be given out as prizes, to increase audience exposure.

All promotion of the new Bingo ticket will be done through event marketing; there is no commercial advertising. Although Bingo has been a scratch game for the Colorado Lottery in the past, the new ticket is completely re-designed, and is the size of \$5 ticket while having a \$3 value.

DC

The D.C. Lottery recently launched Keno. The quick-draw game (every four minutes) is expected to bring in approximately \$3 million before FY03 closes on September 30.

Delaware

This month the Delaware Lottery will kick off its third consecutive year of participation in live events at local hot spots to reach the younger demographic (21- to 39-year-olds).

The events were originally developed to provide non-players with the opportunity to sample Instant Games; promote the fun and entertainment value of Lottery games; and increase ticket sales by heightening awareness of Delaware Lottery Games. Additional objectives for 2003 include making the Lottery a highly visible participant in events statewide; generating ongoing buzz among target audiences; and creating numerous opportunities for positive interactions with the Lottery and Lottery Games.

Events will take place at bars and nightclubs in Delaware's three counties during June, August and October. Each county will have one month of events and one radio station to cosponsor the events. At the events, the Lottery Crew (two young people) will be circulating through the crowd to distribute free Instant Game tickets and Delaware Lottery dollars (\$1 coupons for all Lottery Games) in exchange for correct answers to Lottery and general trivia questions. A photographer will be on the scene to capture the fun, and each participant will be able to take home a free photo. Participating radio stations will collect non-winning Instant Game tickets from each event for use in second-chance drawings to win a Grand Prize (e.g., cash prizes, trips, electronics, shopping sprees) that is relevant to the

target demographic at the end of each month-long period. The events will be promoted on delottery.com and via radio station promotion announcements.

Idaho

Members of Idaho's National Guard will be able to call home free thanks to the Idaho Lottery. Idaho Lottery Director Roger Simmons presented more than 500 15-minute calling cards for domestic use to the Idaho National Guard. The Lottery offered the calling cards as a gesture of aid and support to those who are away from their families. The free long-distance cards were used for Lottery promotions during the year, and would have expired in June.

Iowa

The Iowa Lottery and PETCO stores teamed up in a promotion to find six "Dog-Gone Lucky" dogs whose photos will be on tickets in an instant-scratch game released this fall. The owners of the six lucky dogs will each receive \$500 from the lottery, a \$50 gift card from PETCO and other prizes from the pet-supply stores.

The promotion began with three contests in April and May at PETCO stores in Sioux City, the Des Moines area and Cedar Rapids. Photos of the 18 semifinalists from those contests were posted on the Iowa Lottery web site (www.ialottery.com) from May 5-18, where members of the public were invited to vote on a favorite. The six dogs receiving the most votes will be featured in the \$1 Dog-Gone Lucky game that will go on sale in September.

Kansas

The Kansas Lottery will be launching a Veterans Benefit Game for limited periods this year and next. Profits from the game will be split between veterans' homes, cemeteries, and programs and scholarships for National Guard members. The game will offer a top prize of \$15,000..

Kentucky

Free weekend getaways, discounted hotel rooms, information about the good causes supported by Kentucky Lottery dividends, and cash prizes! Those are the benefits of a promotional partnership among the Kentucky Lottery, the Kentucky Tourism Council, the Kentucky Department of Transportation, and the Greater Louisville Convention & Visitors Bureau. Travel Kentucky is a new \$1 scratch-off game from the Kentucky Lottery. The game offers cash prizes up to \$1,000 while promoting a variety of tourist attractions across the Commonwealth. Players can mail non-winning Travel Kentucky tickets to the Lottery for a chance to win one of 40 Kentucky getaway vacations this summer. The non-winning Travel Kentucky scratch-offs are also good for a 50 percent discount off the rack rate at participating Louisville area hotels this summer.

Louisiana

The Louisiana Lottery has increased the number of drawings for its Cash Quest game to five days a week. Drawings now take place Tuesday through Saturday (previously Wed. and Sat. nights).

Michigan

On April 9, Governor Jennifer Granholm appointed former Oakland County state Senator Gary C. Peters as the Michigan

Lottery's seventh Commissioner. Peters served in the Michigan Senate for seven years, was employed as a Vice President of Investments at USB PaineWebber, Inc. for twelve years and was an Assistant Vice President at Merrill Lynch, Inc. for nine years.

Minnesota

The Minnesota State Lottery recently introduced two new Scratch Games. The Harley-Davidson® Scratch Game gives players two ways to win a 100th Anniversary Harley-Davidson FLSTC Heritage Softail® Classic Motorcycle - as the game's top prize or through a second chance drawing. To enter the drawing, players simply provide the information requested on the back of non-winning tickets, affix a 23 cent or higher stamp and drop the tickets in the mail. In addition to the motorcycle, 702 Harley-Davidson prize packs will also be awarded through second chance drawings.

Venetian Nights is the new Scratch Game that offers players the chance to be a TV contestant or an at-home player on Powerball Instant Millionaire(tm). The game offers a top prize of \$25,000.

Missouri

Some Missouri Lottery players are going to be dog gone lucky this summer when they play one of three new Scratchers games and a promotion called Dog Gone Lucky. The instant games - Lucky the Dog, Hot Diggity Dog and Summer of Luck - each include perforated game pieces that can be attached to a game board to win prizes that include 2003 Chevy Trailblazers, Hawaii trip packages, cruise vacation packages, big-screen televisions, Gateway computer systems, \$1,000 in cash, \$50 in Scratchers tickets and T-shirts. The games and the promotion both officially start on June 28.

In addition to players winning, retailers will also be able to win cash and prizes through a statewide on-counter dispenser contest and a clerk incentive contest. Retailers who agree to carry all three promotional games in a special in-counter dispenser will be entered to win one of 15 DVD players or one of 50 cash prizes of \$100. In addition, each pack of tickets from the three games will include an "ENTRY" card that a clerk can complete and entry to win \$100 cash prizes (20 offered), 100 \$50 Scratchers packs (100 offered) or T-shirts (1,000 offered).

New York

The New York Lottery reported cumulative Instant game sales

totaling \$54,592,961 for the week ending May 10, 2003. One of the reasons for the success was the successful launch of the \$10 Casino Fortune game pack. Sales for the new Casino Fortune game pack totaled \$3,728,313 in its debut week. The perforated, tear-open game card opens to reveal two play areas featuring 12 separate games, offering players 24 chances to win up to 12 times. Separate validation codes are printed on the upper and lower play areas to allow players to claim prizes on both halves of the ticket, as needed.

The New York Lottery is celebrating the launch of its new \$1,000,000 Jumbo Bucks Instant game with the debut of Bubbles, a twenty-something rescued African elephant who, according to her trainer, "is as warm and friendly as a golden retriever." The elephant, along with trainer, Rob Johnson, will star in the Lottery's newest television ad trumpeting the arrival of Jumbo Bucks, a \$5 Instant Game that packs a top prize of \$1,000,000. The new ticket features a quartet of smartly appointed pachyderms sauntering across the lush, jungle-esque background of the ticket.

Ohio

In May, the Ohio Lottery released an instant ticket coupon promotion in select issues of Parade Magazine and the Call & Post. The month-long promotion encourages readers to visit Ohio Lottery retailers. Customers who present the coupon receive a free \$2 instant ticket upon the purchase of a \$2 instant ticket. The coupons expire June 11, 2003.

The Lottery released the instant game Rock & Roll Cash statewide May 5. In a joint promotion with Cleveland's Rock & Roll Hall of Fame and Museum, the game offers select winning customers a \$20 gift card prize which can be used at participating FYE®-owned music stores across the state. The Ohio Lottery and the Rock Hall have teamed up to offer a second-chance promotion with the game as well. Players who mail in non-winning Rock & Roll Cash instant tickets following entry procedures have a chance to win one of 23 prizes, including merchandise from the Rock Hall. The top prize is a Carnival Caribbean cruise for one lucky winner and seven guests.

A Buy \$5 Get \$1 "Free Play" promotion for Buckeye 5 ran April 13 to May 31. Through May 10, \$5 play for Buckeye 5 is up 118 percent compared to the control period, Feb. 16 to March 15.



Georgia Lottery Celebrates Ten Successful Years

Ten years ago, on June 29, 1993, Doris and I were there for the launch of the Georgia Lottery Corporation (GLC). Rebecca Paul's office was filled with helium balloons in lottery colors of purple, peach and green, and you can see Doris and me between the streamers. It was a day filled with celebration and happiness, as well as one filled with outstanding ticket sales. The GLC sold over \$13 million that day, and went on to sell more than \$52 million the first week, breaking the first week per capita sales record with over \$7.80. Congratulations, GLC, for providing a Decade of Dreams to Georgia!

- PGI Publisher Duane Burke ■

Overall Buckeye 5 play is up 42.8 percent.

Mega Stars, a statewide promotion for Mega Millions players, runs May 1 to June 15. Developed in conjunction with Cincinnati radio station 700 WJW, players who make a single Mega Millions ticket purchase of \$5 or more receive a raffle ticket which they can mail in for a chance to go to the All Star game in Chicago on July 15.

Ontario

The Ontario Lottery declared this coming July as "Millionaires Month" as it launched the new \$10-dollar Millionaires Month lottery game offering a draw each day for major cash prizes for all 31 days of July. There will be 27 individual draws for prizes of \$100,000 each, three weekly draws for \$1-million each and the final Grand Prize draw on July 31st for \$5-million. There is also an instant scratch portion on the ticket offering an additional top prize of \$1-million plus thousands of other prizes. Each ticket is sold in a pouch and unfolds to a calendar format 55cm. X 22cm., with a scratch spot for each day of the month, plus the instant scratch and win spots on the opening panel.

Oregon

Oregon Lottery Keno sales are up by 22% after adding a new Multiplier option. Since the introduction of the new feature on April 7, the Multiplier has comprised 18% of the overall Keno sales. For an additional \$1 per dollar played, players can add the Keno Multiplier option. Prior to each daily drawing, a Multiplier number is drawn and displayed on the monitor. If players win a Keno Prize and have added the Multiplier option, their Keno prize is multiplied by that Multiplier number. The Multiplier numbers are 1X, 2X, 3X, 5X and 10X.

The Oregon Lottery has had 5-minute Keno since 1991. In addition to regular Keno, players can play Special Keno for a \$1 million top prize. A rolling Jackpot Bonus feature on the 6, 7 and 8 spot games was added in April 1999.

The Lottery will be rolling another Harley-Davidson Scratch-it ticket in to retailers on June 3. The last Harley-Davidson Scratch-it created record Scratch-it sales in 2001. The new version of this \$2 ticket gives players the chance to win one of the five new top-of-the-line Harley-Davidson Heritage FLSTC Softail Classic motorcycle prize packages valued at \$28,800. The game also offers more than 500,000 cash prizes and great Harley-Davidson merchandise. Players will also have a second chance to win a Harley-Davidson motorcycle by entering non-winning tickets for the second chance drawing on the Lottery's web site.

In June, the Oregon Lottery will be introducing a new Puzzler Scratch-it ticket that offers a unique new game design and play style. The original concept, developed in Canada, was modified to fit the Oregon market after focus group testing. It's a colorful new game that is played by matching puzzle pieces to the puzzle play area. Based on research, the Lottery believes this game will appeal to those players who like extended play games and will attract players between the ages of 21-34.

South Carolina

The SCEL's Carolina 5 game will begin holding drawings twice

a week, starting May 13. Drawings will be held on Tuesday and Friday nights at 11 p.m.

Texas

The Texas Lottery is celebrating 11 years of ticket sales this year! In honor of the occasion, the Lottery introduced its festive 11th Anniversary Game in May. This \$10 instant game features a top prize of \$100,000 and up to 24 chances to win.

In July the Texas Lottery will reprise one of its most popular scratch-off games, Harley-Davidson®. The first Harley game broke an industry record in 2002, with total sales of nearly \$50 million. In the new \$5 instant game, players will have the chance to win a Harley-Davidson FLSTC Heritage Softail® Classic motorcycle, or up to \$50,000. Retailers can get in on the fun too, with the chance to win one of 10 Harley-Davidson prize packages to share with their employees.

Players are sure to love the exciting new Fast Tracks instant game, which features drivers such as Dale Earnhardt, Jr., Bill Elliott, Jeff Burton, Mark Martin, Rick Rudd, Greg Biffle and Matt Kenseth. This game will also launch in June. The top prize on the Fast Tracks ticket will be \$25,000. Players will also have a second chance to win in one of five second-chance Drawings. Two Player's Choice Racing Trips and 556 prize packages of official NASCAR® merchandise will be awarded at each drawing. Retailers will have a chance to win one of 10 NASCAR prize packages to share with their employees.

Washington

The Washington Lottery is first in the nation to roll out the "Corvette® Cash" Scratch game. Soon, a lucky Lottery player will be the first winner to drive a brand-new Corvette off a dealer's showroom floor. The \$3 "Corvette Cash" Scratch game offers players a chance to win money, licensed Corvette merchandise prizes, or even a Chevrolet Corvette convertible valued at more than \$50,000. Six Corvette convertibles with 350 horsepower V8 engines could be awarded to players. of the game that launches today at more than 3,500 Washington Lottery retailers.

West Virginia

Veterans Cash 5 will introduce – for the first time to the West Virginia Lottery's instant product – a 2 1/2 by 4 inch ticket. It is the continuation of a game provided by the Legislature to earmark funds for a 120-bed, 75,000 sq. ft. centralized nursing facility for West Virginia veterans that is expected to break ground in the fall. Since their introduction in August 2000, the \$1 tickets have featured WW II, Korea, Vietnam and Operation Dessert Storm. Veterans Cash 5 offers a general, patriotic theme. The special legislation allows the Lottery to give every penny beyond prizes to the \$23 million project. Approximately 68 percent of game revenue is returned to players in prizes to help promote game sales.

Vegas Bingo is a \$5 ticket offering five different Bingo games on one card. It also includes chances to win an entry in the Lottery's Powerball Instant Millionaire TV game show drawing. It utilizes the popular postcard method of mailing the entry that was introduced with our Road to Vegas instant game. ■



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