

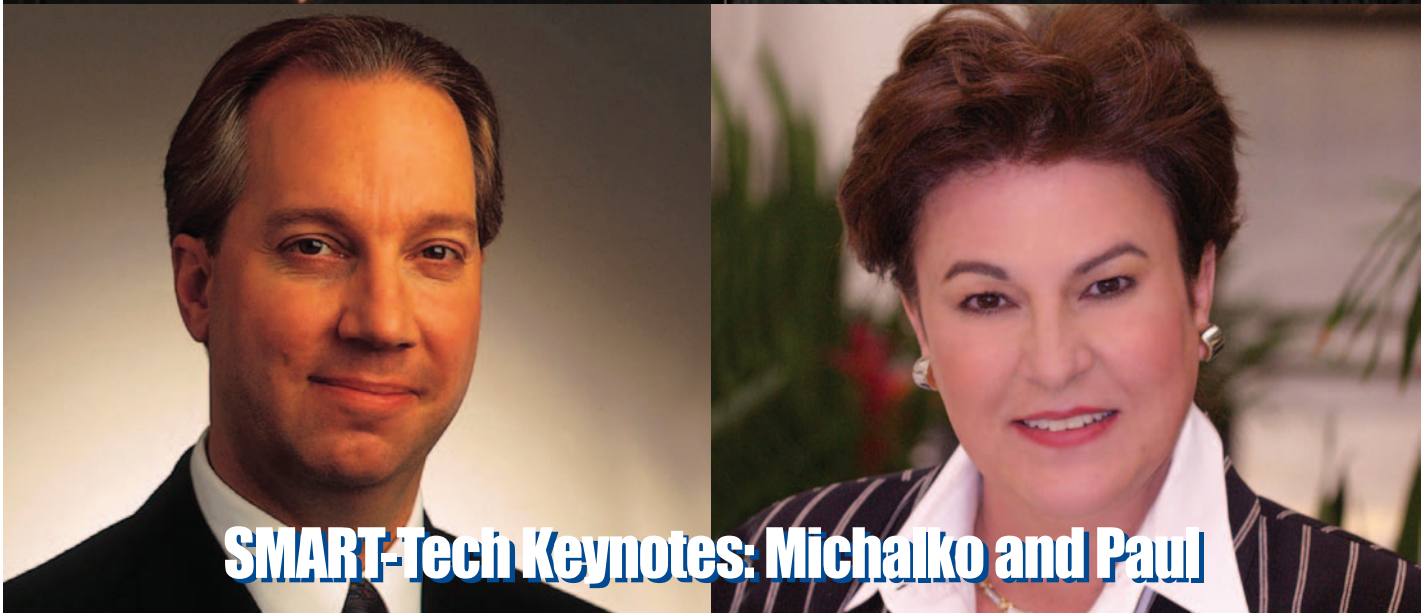
GAMING

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

SMART-Tech 2006 Supplement



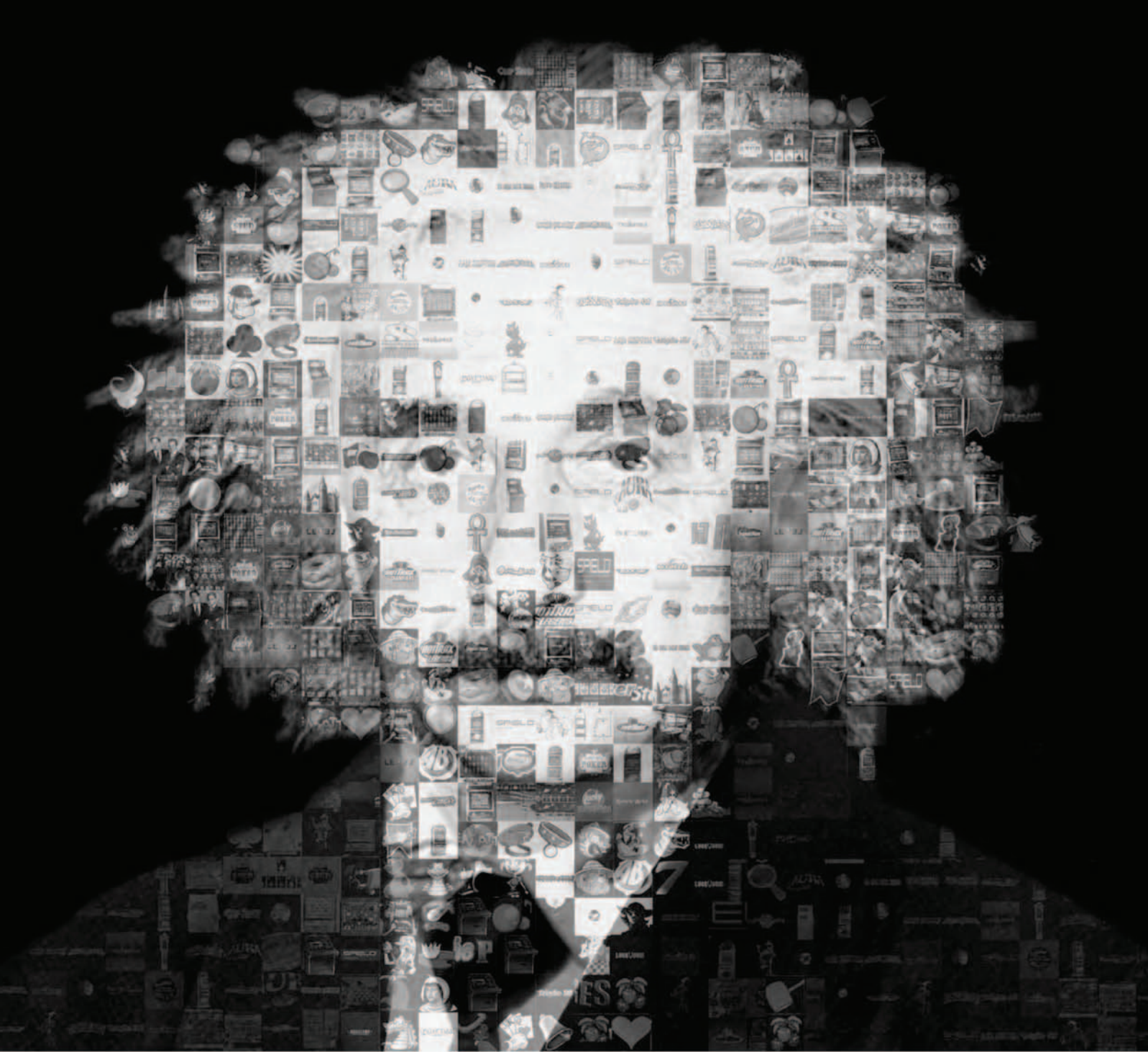
Lifetime Achievement: Strutt and Wynn



SMART-Tech Keynotes: Michalko and Paul



PGRI thanks its SMART-Tech 2006 Sponsors



A single mind can generate millions of ideas.

**Imagine how many you can get from
the 5,300 at Spielo, a GTECH Company.**



Creative inspiration: It's what's behind the most compelling game content and the most successful VLT solutions. Now that Spielo is a proud member of the GTECH family, 5,300 great minds come together as one creatively inspired company. We offer solutions that meet all your needs, from central systems, to an ever expanding library of high performance games playable on the industry's most reliable terminals. It's a powerful, globally proven lottery solution no one else can match. Some might call it – genius. Spielo. Driven to outperform.

SPIELO®
A GTECH® Company



Testing Isn't Simple. Our Guarantee Is.

No excuses. With 24 hour customer service, over 400 gaming jurisdictions, the world's top engineers and 16 years experience, GLI is here to make life easier on you. Our "no excuses" policy gives you the peace of mind you need to know your casino floor is operating with integrity.

Australia • Europe • North America • South Africa • Asia
World Headquarters • 600 Airport Road, Lakewood, NJ 08701 • (732) 942-3999

GLI[®]
Where The Game Begins.
www.gaminglabs.com



PUBLIC

GAMING

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



On the Cover:

Multi-State Lottery Association Executive Director Charles Strutt; Wynn Resorts Chairman & CEO Steve Wynn; Intralot Asia-Pacific President Mark Michalko; and Tennessee Education Lottery Corporation President & CEO Rebecca Paul.

Thank you SMART-Tech 2006 Sponsors!

Carmanah Signs	One Scratch Co.
Colesystems	Planet Bingo
IGT	RMS
Intralot	Scientific Games
Ipsos Reid	Splashdot
JCM	Transact
LVGI	



PUBLIC GAMING RESEARCH INSTITUTE, INC.
P R O F E S S I O N A L

Features

SMART-Tech
2006 Supplement

- 4 Welcome to SMART-Tech 2006**
A letter from PGRI CEO Duane Burke
- 6 SMART-Tech 2006 Keynote Speakers**
Intralot Asia-Pacific President Mark Michalko; and Tennessee Education Lottery Corporation President & CEO Rebecca Paul.
- 7 PGRI Lottery Lifetime Achievement Award Winner – Charles Strutt**
- 8 Special Lifetime Achievement Award Winner: Stephen A. Wynn**
- 10 Pennsylvania Lottery's First-Ever Raffle Game Proves Great Success**
- 11 Iowa Lottery Approves Self-Ban Policy**
New policy would allow players to exclude themselves from the lottery.
- 12 Ohio Lottery: A Lot 'O Profit in Lot 'O Play**
Public Gaming International interviews the Ohio Lottery about its exciting new online game, Lot 'O Play.
- 14 International Lottery Players' Survey: Licensed Products**
Kopel Research Group surveyed 2,000 lottery players to gauge consumer interest in licensed themes.
- 16 Instant Replay: the Massachusetts Answer to Lottery Litter**
- 18 Special Recognition: West Virginia Lottery Start-Up Employees**
Five West Virginia Lottery originals talk about the Lottery's 1986 launch.
- 20 R&D Compensation = Lottery Growth**
Guest editorial from Steve Saferin, president, Scientific Games Ventures.

Public Gaming International is now also available on the web.

www.publicgaming.org

PUBLIC GAMING INTERNATIONAL

PUBLISHER Duane V. Burke	CEO/CHAIRMAN Duane V. Burke	CIRCULATION Tel: (425) 935-3159 (800) 493-0527
EDITOR Todd Koeppen	DIRECTOR OF OPERATIONS Susan Jason	Fax: (206) 232-2564 (800) 657-9340
ART DIRECTOR L. Robinson	EXECUTIVE VICE PRESIDENT Doris J. Burke	
	FORMER DIRECTOR Ralph Batch	

ADVERTISING SALES

VICE PRESIDENT OF MARKETING Susan Burke Tel: (425) 985-3159 (800) 493-0527	VICE PRESIDENT OF SALES Raquel Orbeozo Tel: (425) 765-4119 (800) 493-0527
Fax: (206) 232-2564 (800) 657-9340	VICE PRESIDENT OF SALES Hayley Hutchinson Tel: (425) 765-4119 Tel: (800) 493-0527

Public Gaming International (ISSN-1042-1912) February 2006, Volume 32, No. 2. Published monthly by the Public Gaming Research Institute, Inc., 218 Main Street, #203, Kirkland, WA 98033. (425) 935-3159. ANNUAL SUBSCRIPTION RATES: United States: \$145. Canada & Mexico: \$160(U.S.). All other countries: \$225(U.S.). POSTMASTER: Send address changes to Public Gaming International, 218 Main Street, #203, Kirkland, WA 98033. SUBSCRIPTION REQUESTS: Sent to same address. NOTE: Public Gaming International is distributed by airmail and other expedited delivery to readers around the world. ©2006 All rights reserved. Public Gaming Research Institute.

E-mail: publicgam@aol.com

Web site: www.publicgaming.org

GOOD THINGS

— COME IN —

threes

JCM AMERICAN HAS JOINED WITH TRANSACT AND TOVIS.

JCM'S BILL VALIDATORS. TRANSACT'S TICKET PRINTERS. TOVIS' LCD SCREENS. IMAGINE HOW MUCH TIME YOU'D SAVE IF YOU COULD GET ALL OF IT -- WITH JCM'S STABILITY AND STELLAR CUSTOMER SERVICE -- IN ONE PACKAGE. THAT'S THE REALITY OF THE NEW JCM/TRANSACT/TOVIS PARTNERSHIP. YOU HAVE EVERYTHING YOU NEED AT YOUR BECK AND PHONE CALL. AND YOU'LL PUT YOURSELF IN EXCELLENT COMPANY.



JCM-AMERICAN.COM • 800.683.7248

PUBLISHER'S PAGE



Duane Burke, CEO, and Doris Burke, executive vice president,
Public Gaming Research Institute

Welcome to SMART-Tech 2006

By Duane V. Burke, CEO, Public Gaming Research Institute, Inc.; and Publisher, Public Gaming International Magazine

Public Gaming Research Institute, now in its 35th year of service to the world lottery industry, is pleased to welcome you to SMART-Tech 2006.

SMART-Tech provides top lottery industry professionals with an annual opportunity to exchange their best successes for the mutual benefit of their organizations. Everyone goes home from SMART-Tech with useful ideas to apply in their own organizations.

SMART-Tech 2006 highlights insightful keynote addresses, exchanges of successful experiences relating to the most important revenue sources for lotteries, presentations of promising new technology and SMART-Ideas, and is capped with a VIP Technology Tour that will take lottery personnel to the high-tech demonstration centers of three leading technology companies.

In addition, SMART-Tech is an opportunity for PGRI to recognize leaders for excellence and achievements.

Awards this year are as follows:

- Major Peter J. O'Connell Lottery Lifetime Achievement Award for Charles Strutt, executive director, Multi-State Lottery Association (MUSL).
- Special Lifetime Achievement Award for Stephen A. Wynn, chairman & CEO, Wynn Resorts.

These award recipients exemplify the very best in lottery and business management: high integrity, quality and excellence in everything; imagination; innovation; and recognition of the importance of quality people to success.

In addition, there will be Qe – Quality & Excellence Awards – for outstanding achievement and for the best in lottery TV advertising.

All in all, it promises to be another outstanding SMART-Tech program.

We wish you the best for a successful meeting. Call on me or others of the PGRI staff for assistance. ♦

SMARTPLAY

The Best of All Worlds

Digital Draw System

U.S. GOVERNMENT
FIPS 140-2
CERTIFIED MODULES
U.S. GOVERNMENT

The **Origin™** system generates truly random numbers, from a quantum physics random number source. With no cryptographic or statistical weakness, the **Origin™** is superior to existing RNG products, as it does not rely upon a seed to start an algorithm.

CHOICE OF
Arizona Lottery
New Mexico Lottery
Washington's Lottery

Automatic Number Recognition

Ideal for **Keno** and **Bingo**, the **Solution™** system fortifies security and enhances the credibility of traditional drawing equipment, with the latest in validation technology.

Traditional Drawing Equipment

More than
100 lotteries draw the winning numbers, with **Smartplay's** full line of air mix and gravity pick drawing machines, prize wheels and game show equipment.



SMARTPLAY

INTERNATIONAL, INC.

SMART-TECH 2006 Keynote Speakers

M. Mark Michalko, President, Intralot Asia-Pacific



Mark Michalko, President of INTRALOT Asia-Pacific, is a 29-year veteran of the lottery industry, with unique credentials and experience in the United States and many foreign jurisdictions. He stands alone as the only current lottery industry executive to serve as both Executive Director of a world-class lottery organization and as Chief Executive Officer of an international lottery supplier company.

Mark began his career with the Ohio Lottery Commission in 1977, serving as Chief Legal Counsel from 1980 through 1985. During his tenure in Ohio, Mark also served as head of the Evaluation Committee which procured the on-line lottery system for that organization.

In 1985, following a nationwide search, Mark was appointed by the Governor of California as the founding Executive Director of the newly formed California State Lottery (the "CSL"). In the short span of only 4 _ months, he organized the entire operation, hired more than 1,000 staff operating from twelve offices throughout the State, and commenced selling tickets through 20,000 retail locations. Under his direction, the CSL became the largest and most successful lottery operation in North America, and fourth largest in the world in terms of sales volume.

After leaving the CSL, Mark co-founded and served as President and CEO of Gamma International Ltd., a company that successfully pioneered and managed new forms of gaming with Indian tribes across the United States. At Gamma, he was also instrumental in the conceptual design and development of a state-of-the-art interactive wagering system.

Mark thereafter served as Managing Director/CEO of Philippine Gaming Management Corporation ("PGMC") where, as with the CSL, he literally created and successfully managed the entire organization which still operates the National Lottery in the Philippines.

From 1994-2005, Mark was a principal executive with International Lottery & Totalizator Systems, Inc. ("ILTS"), serving as Executive Vice-President from 1994-1997, and thereafter as President and Chief Executive Officer until January of 2006. At ILTS, he was responsible for overall management of the company which supplies on-line systems and management services to both lottery and racing organizations in 22 countries on 5 continents. Mark brings tremendous breadth and depth

of experience to his present position as he spearheads Intralot's initiatives in the Asia-Pacific region.

Rebecca Paul, Tennessee Education Lottery Corporation President and CEO is a 20-year lottery industry veteran. She began her career working in local television news, advertising and promotions in Indiana and Illinois before being tapped in 1985 to lead the Illinois Lottery. Under her management, Illinois Lottery sales climbed to more than \$1.3 billion annually. In 1987, she moved to Florida to launch the Sunshine State's lottery where she set industry records for first-year sales. After that, she worked as a consultant, developing strategic plans and advising lotteries across the U.S. and abroad.

In 1993 Paul was chosen to start up the Georgia Lottery. During the first year of operation, she once again set new industry sales records. During her 10 years in the Peach State, the Georgia Lottery generated more than \$6 billion for education.

In 2003 Paul was selected as the Tennessee Lottery's first president and CEO. After starting ticket sales three weeks ahead of schedule, on January 20, the Tennessee Lottery closed out its first fiscal year of five months and 12 days by transferring more than \$123 million to the state's education fund—roughly 40 percent more than the initial goal of \$88 million. By March 2005, after one year and seven weeks of ticket sales, gross ticket sales had surpassed \$1 billion.

Paul's resume includes a long list of lottery industry, business and civic accomplishments. In 1990, she served as President of the International Lottery Association. From 1997 to 1998, she served as president of NASPL. She was the recipient of PGRI's 1998 Peter O'Connell Lifetime Achievement Award. In 1999, she served as vice chairman of the Public Sector Gaming Study Commission appointed by the National Council of Legislators from Gaming States.

Her many honors also include being named to Business Tennessee magazines "Power 100," a list of Tennessee's most powerful people, and being named "Entrepreneur of the Year" by the Stanford Graduate School of Business Alumni Association. In 2005 she was named one of the initial inductees into the Public Gaming Research Institute Lottery Industry Hall of Fame. ♦



PGRI Lottery Lifetime Achievement Award Winner – Charles Strutt

Every year, Public Gaming Research Institute singles out outstanding individuals to receive the Major Peter J. O'Connell Lottery Lifetime Achievement Award. Charles Strutt, executive director, Multi-State Lottery Association, will receive the award at SMART-Tech 2006. Over the years, Mr. Strutt has done more than just ensure the success of MUSL games, he has assisted in the success of all member lotteries in the association.



Chuck Strutt was the first employee of the Multi-State Lottery Association and has been its executive director since 1988. As MUSL's executive director, he manages the daily operations of MUSL and has primary responsibility for implementing the decisions of the MUSL Board of Directors. Since 1987, Chuck has served over 100 lottery directors (112 persons in 126 director positions) and has worked for dozens more involved in non-MUSL projects.

Before moving to MUSL, Strutt spent two years with the Iowa Lottery as a hearings officer and managed their TV game show, special live events, and the on-line gaming system. He worked on a multi-state technical committee to establish a multi-state lottery game and moved to the new organization that was formed by six state lotteries to run a game called Lotto*America.

That first game, Lotto*America, began in February 1988 with seven member lotteries. By the time that Powerball replaced Lotto*America in April 1992, the membership had grown to 16 lotteries. Today, MUSL serves 31 member lotteries and offers multiple products to its members, including through years, Hot Lotto, Tri-West Lotto, Wild Card, 2By2, Powerball Instant Millionaire TV Game Show, Daily Millions, Rolldown, and Cash4Life. These games have added more than \$20 billion to state lottery revenue.

It should also be noted that MUSL's flagship game, Powerball, has become the most famous lottery brand in the United States, if not the world, and Strutt has been recognized for his contributions in developing that brand by being profiled in Forbes magazine and by being named to the list of "The Marketing 100" by Advertising Age magazine.

While Mr. Strutt may be best known for directing Powerball, his involvement with the organization's 31 member lotteries goes much deeper. Under his guidance, MUSL not only coordinates the operations of multi-state lottery games but also works with the lotteries to develop common standards for lottery gaming systems, internal lottery control systems and security procedures. MUSL manages the multi-billion dollar portfolios to back the annuity jackpot games and transfers funds between the lotteries. The association has also been key in developing technology for the lotteries to reach players, including being the first lottery to put up a BBS for players and one of the first lotteries on the Internet. MUSL currently hosts ten member lottery web sites as well as the sites for the multi-state games. MUSL assists the lotteries in bringing up changes to games and new games across six primary vendor gaming platforms and three ICS vendors. In the background, MUSL produces the drawing shows, manages the multi-drawing contracts for the uplink and satellite feed to more than 90 television stations across the nation, and coordinates relations with the national media to promote MUSL brands.

MUSL has also been successful in its goal of maximizing its own non-game revenue so that it can continue to provide service to its members at little or no cost. Some of these efforts have included other innovations for the lottery industry such as bond swaps or the licensing of its brands to non-lottery ventures.

Chuck received his doctorate of jurisprudence degree from Drake University Law School and did some private work involving landlord/tenant contracts, investments in a movie deal (prospectus), legal work for a rock and roll band, and personal injury lawsuits before becoming an administrative law judge presiding over hearings regarding occupational safety and health, bingo licenses, sales tax permits, corporate and individual income tax, and professional licenses. Chuck also has a degree in Journalism and, for several years, wrote a humor column appearing in one Iowa's oldest newspapers, the North Iowa Times (established in 1856). ♦



Jenga®

Throw a BLOCK PARTY!

An international game phenomenon, Jenga's instantly recognizable BLOCK TOWERS stack up higher & higher, just like your sales!

Jenga is a registered trademark of Polonome Associates. ©2006 Polonome Associates. Used Under License from Polonome Associates. All Rights Reserved.


www.mdientertainment.com

MDI
A Scientific Games Company
For more information,
call your MDI sales rep.
toll-free at 1-800-572-7082.
Visit our web site at

Special Lifetime Achievement Award: Stephen A. Wynn



Many would agree that there is no one alive who has done more to turn Las Vegas into what it is today than Steve Wynn. Because of his vision, resorts in this destination city are reaching progressively higher standards for quality, luxury and entertainment.

Now, as Chairman of the Board and CEO of Wynn Resorts, Limited, Mr. Wynn has developed Wynn Las Vegas, which opened on April 28, 2005 and is among the world's preeminent luxury hotel resorts and is developing Wynn Macau which is scheduled to open in 2006. It is with great pleasure that here, at SMART-Tech 2006, taking place at the Wynn Las Vegas, Public Gaming Research Institute presents Mr. Wynn with a special Lifetime Achievement Award.

Mr. Wynn began his career in 1967 as part owner, Slot Manager, and Assistant Credit Manager of the Frontier Hotel. Between 1968 and

1972 he also owned and operated a wine and liquor importing company. But it was an entrepreneurial real estate transaction with Howard Hughes in 1971 that produced sufficient profits for a major investment in the landmark Golden Nugget Casino. Once known only as a "gambling joint," Mr. Wynn transformed the Golden Nugget into a Four Diamond resort known for elegance and personal service. By 1973, at age 31, Mr. Wynn controlled the property and began developing the Golden Nugget as a complete hotel resort.

In 1978, Mr. Wynn used profits from the Golden Nugget in Las Vegas

PGRI Thanks our SMART-Tech 2006 Sponsors!



to build the 506-room Golden Nugget Hotel & Casino on the Boardwalk in Atlantic City. The resort became known for its elegant facilities, television ads featuring Frank Sinatra, and its impressive lineup of superstar entertainment. From its opening in December 1979, until its sale in 1986, the Atlantic City property dominated the market in revenues and profits in spite of its smaller size.

In 1987, Mr. Wynn sold the Atlantic City Golden Nugget, which had cost \$160 million, to Bally for \$450 million and turned his creativity to developing what would become the company's flagship property -- The Mirage. Opened in November 1989, the elegant hotel, with its imaginative erupting volcano and South Seas theme, ignited a \$12 billion building boom that catapulted Las Vegas to America's number one tourist destination and fastest growing city. In 1991, Golden Nugget Incorporated was renamed Mirage Resorts, Incorporated.

In October 1993, Mr. Wynn opened Treasure Island, establishing a new paradigm by which casino theme resorts are designed. At the front corner of the resort, the Battle of Buccaneer Bay was acted out on a full size pirate ship. Inside, the Four Diamond property, with its romantic tropical theme, is one of the city's most electrifying casino resorts.

In October 1998, Mr. Wynn raised the bar again when he opened the opulent Bellagio, a \$1.6 billion resort considered among the world's most spectacular hotels. With its sumptuous guest rooms, high end retail stores, and traditional European feel, Bellagio appealed to an audience that long overlooked Las Vegas as a vacation destination. Today, visitors line the street in front of the hotel to watch another Steve Wynn attraction, the "Dancing Waters" -- shooting fountains, choreographed to music, that "dance" on the hotel's 8.5 acre man-made lake.

In 1999, Mr. Wynn brought Mirage Resorts' standard of style to beautiful and historic Biloxi, Mississippi where he oversaw development of the 1,835-room Beau Rivage. Blending Mediterranean beauty with Southern hospitality, the resort was the centerpiece of a building boom that established Biloxi as a regional tourism center along the Mississippi Gulf Coast.

In June 2000, Mr. Wynn sold Mirage Resorts, Incorporated to MGM for \$6.6 billion and purchased Las Vegas's legendary Desert Inn Resort and Casino. The Desert Inn was closed in August 2000 and, on this site, Mr. Wynn began developing Wynn Las Vegas, a 2,700-room luxury casino resort that has inspired yet another wave of development on the Strip. Concurrently, Wynn Resorts is developing its Asian flagship casino resort in Macau where the company has been awarded a 20 year concession by the Macau government. In 2005, the Association of Travel Marketing Executives awarded Mr. Wynn the ATLAS Lifetime Achievement Award for his innovation in building resorts in Las Vegas.

Stephen A. Wynn was born in New Haven, Connecticut on January 27, 1942. He graduated with a Bachelor of Arts degree in English Literature from the University of Pennsylvania and, in 1963, married Elaine Farrell Pascal. They have two daughters, Kevyn and Gillian.

Mr. Wynn is active in the community and has received honorary doctorate degrees from the University of Nevada, Las Vegas and Sierra Nevada College in northern Nevada.

He is chairman of the University of Utah's Moran Eye Institute, a Trustee of his Alma Mater, the University of Pennsylvania, and serves on the Board of the George Bush Presidential Library. ♣

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

SCRABBLE

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

SCRABBLE, the distinctive game board and letter tiles, and all associated logos are trademarks of Hasbro in the United States and Canada and are used with permission. © 2006 Hasbro. All Rights Reserved.



WIN UP TO \$50,000!

3 ways to win!

MDI

A Scientific Games Company

For more information, call your MDI sales rep, toll-free at 1-800-572-7082. Visit our web site at www.mdiertainment.com

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



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

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

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

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

The Lottery's live evening drawing show on Dec. 31, 2005, televised the selection of the four \$1 million top-prize raffle ticket numbers and the five \$100,000 second-prize raffle ticket numbers. The 500 \$1,000 winning raffle ticket numbers were also selected, but were not televised due to time restraints.

Winning raffle numbers were selected using a random number generator certified

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

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

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

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

Major Peter J. O'Connell Lottery Lifetime Achievement Award Public Gaming Research Institute's Lifetime Achievement Award Winners

This Award has been presented to lottery directors and industry executives from North America and overseas who have distinguished themselves in the lottery industry over long periods of time. Following is a list of Award recipients (alphabetic sequence):

George Andersen (Deceased) – Former Director, Minnesota Lottery, U.S.

Ralph Batch (Deceased) – Former Director, NJ, IL & DE Lotteries, U.S.

Ray Bates – National Lottery Director, Irish Lottery, Ireland

Daniel Bower – Co-founder of Scientific Games; Co-Chairman Telecom Productions, U.S.

Arch Gleason – President, Kentucky Lottery Corporation, U.S.

James Hosker – Former Executive Director, Massachusetts Lottery + GTECH Executive, U.S.

Cluny Macpherson – Former President, Atlantic Lottery Corporation, Canada

Garth Manness – Former President, Ontario Lottery Corporation, Canada

Reidar Nordby Jr. – President & CEO, Norsk Tipping, Norway

Major Peter J. O'Connell – Former Executive Director, RI Lottery, U.S.

Rebecca Paul – President & CEO, Tennessee Education Lottery, U.S.

Edward Powers (Deceased) – Director of First Modern US Lottery, New Hampshire, U.S.

Guy Simonis – Former President, British Columbia, Canada

Dr. Edward Stanek – President & CEO, Iowa Lottery Authority, U.S.

James Wimsatt – Former Executive Director, New Hampshire Lottery Commission, U.S.

Jerome Young – Vice President, IGT, U.S.

Mark Zamarripa – Former Director, Colorado Lottery, U.S.

Greg Ziemack – Former Director, Connecticut and Kansas Lotteries, U.S. ♣

Iowa Lottery Approves Self-Ban Policy



Dr. Ed Stanek, CEO,
Iowa Lottery

The Iowa Lottery Board recently voted to establish a player "self-ban" policy designed to address issues related to problem gambling.

The policy would allow players to sign contracts stating that they are problem gamblers and wish to enter into a voluntary self-exclusion agreement with the lottery. The agreement would ban those players from the lottery's five regional offices in the state and allow the lottery to deny payment of any prize at a lottery office to those players.

"If somebody is willing to sign this and they understand that they can't win and they can't get a refund of the products they've purchased, then what's the use in playing? Therein lies the deterrent," said Lottery Board member Tim Clausen, a Sioux City attorney. "I think it is a good, effective deterrent."

During discussion of the policy, Iowa Lottery CEO Dr. Ed Stanek said that the lottery has been considering such a ban for some months, and the lottery's record sales of more than \$210 million in fiscal year 2005 became the impetus for moving ahead with the plan.

"We want to maximize our proceeds for the state with everyone playing in moderation," Stanek said. "We don't want our success to be at the expense of problem gamblers."

Stanek noted that the lottery has not been a big contributor to problem gambling in Iowa – just 4 percent of those admitted to treatment through the state Gambling Treatment Program cite lottery games as their primary form of wagering.

"But compulsive behavior is an issue we are concerned about and we want to do even better to help those who need it," he said.

Stanek, the longest-serving lottery director in the country, said he knows of no other U.S. lottery that has such a policy.

"This is a proactive, responsible step being taken by the Iowa Lottery," he said.

Under the policy, a lottery player who wished to enter into a lifetime self-ban agreement with the lottery would sign a contract provided by the lottery and have it notarized, then turn it in to the lottery. In the contract, players would acknowledge that they are problem gamblers, and that their ability to claim lottery prizes is an unwelcome incentive for them to play. The players would acknowledge that they want to reduce the incentive to play lottery games by entering into a voluntary self-exclusion agreement restricting them from claiming prizes at lottery offices.

The lottery would honor the players' requests by developing a computer database containing the names and Social Security numbers of those who had signed the contracts. The lottery would check information against the database whenever someone tried to claim a prize at an Iowa Lottery office. Those players on the list would be denied prize payment.

The lottery also would remove from any mailing or promotional lists the names of those players who entered into self-ban contracts.

Stanek said that because lottery products are sold at about 3,500 business locations in Iowa, enforcement of such a ban at the retail level would not be feasible. The policy would deny large lottery prizes to players signing the contracts, he said, because all prizes of more than \$600 must be claimed at a lottery office. ♦

	6		1		4		5
		8	3		5	6	
2							
8		4		7			1
7		6			3		6
		9		1			4
5							2
	7		2		6	9	
4		5		8		7	

IT'S ALL IN THE NUMBERS

SU|DO|KU

© Puzzles by Pappocom

- Syndicated in more than **200** newspapers in **54** countries!
- Ideal for Bingo, Crossword & other extended play applications!

MDI & Su|do|ku Grand Master, Wayne Gould have teamed to bring your players a game play that will tempt even the most discerning Su|do|ku fanatic. **DO YOU SU|DO|KU?**

SU|DO|KU
NUMBERS

1 2 3 4 5 6 7 8 9

1 4 6 2 7 8 3 5 9

3 5 7 9 1 4 6 8 2

8 6 4 3 5 2 7 1 9

2 1 9 6 8 7 4 3 5

7 3 5 4 2 1 9 6 8

4 8 2 7 3 9 5 6 1

9 6 1 5 4 8 2 3 7

5 7 3 8 9 6 1 4 2

For more information,
call your MDI sales rep.
toll-free at 1-800-572-7082.
Visit our web site at
www.mdientertainment.com

Ohio Lottery: A Lot 'O Profit in Lot 'O Play

By Todd Koeppen, editor, Public Gaming International and Marie Kilbane Seckers, communications, Ohio Lottery Commission



In October, 2005, the Ohio Lottery launched its newest online game, Lot 'O Play, replacing Super Lotto Plus. The bingo-styled game features 12 ways to win the starting jackpot of \$1 million, and five lines of five numbers with each play –

25 total numbers with no repeats. Players win by matching five numbers in any one row, any one column, or either diagonal.

In the first few months of operation, the Lottery anticipated a learning curve for traditional lotto-game players with the new game's bingo-style play. Other players appear to be hesitant about choosing numbers from a 100-number matrix since their previous experience has been with matrices of up to 56. At the same time, the game is already producing higher profits than Super Lotto Plus.

Public Gaming International recently interviewed the Ohio Lottery about its exciting, new Lot 'O Play game.

Public Gaming International (PGI): The concept behind Lot 'O Play is excellent – there are so many ways to win on each ticket. Who came up with the concept for the game?

"The Ohio Lottery surveyed players and retailers for more than a year to determine what type of lotto-style game would most interest them. Initially, the Ohio Lottery's Office of Product Development took a close look at two game options: a classic 6/44 lotto game and a 3 x 3 lotto game concept like Pennsylvania's Match 6 Lotto. Agency management became interested in exploring a 5 x 5, bingo game concept, which was brought to GTECH, our on-line vendor, to refine.

"This concept tested well with both players and retailers," said the Ohio Lottery's On-Line Product Manager Sharon Murray. "They were receptive to the \$2 price point and \$1 million starting jackpot, because the game had 12 ways to win the jackpot and the overall odds of 1 in 5.

"That game became Lot 'O Play. We also liked Pennsylvania's instant win concept and added that feature to Lot 'O Play."

PGI: How long did it take to plan the launch?

"The planning of the launch began April 15, 2005, and ran until the game went on sale Sunday, Oct. 9, 2005. As you know, there is a great deal involved in launching a new game, from installing and testing Lot 'O Play software on retailer terminals, to ordering and testing new drawing equipment, budgeting and setting aside financial resources, and educating staff, retailers and players," said Murray.

PGI: Did the almost slot-like multiple win lines create any special concerns that the Lottery had to consider before launch?

"Since Lot 'O Play offers 12 ways to win the jackpot in one of five rows, five columns or either of the two diagonals, we focused on showing winning ticket examples in point-of-sale materials and television commercials," said Patricia Vasil, Deputy Director of Product Development for the Ohio Lottery.

"Lot 'O Play does not allow for multiple line wins – if the player has a match on more than one line, the player wins on the line with the greatest prize match.

"The issue of multiple line wins became apparent as we started preparing information to educate our retailers about the new game. The Lottery put together a multifaceted communication effort through face-to-face contact with sales reps and retailers, and game information in successive issues of the agency's retailer newsletter. This was followed by communication efforts directed at consumers with how-to-play brochures at point-of-purchase, through the agency Web site, during the nightly drawings, and advertising through radio and TV outlets statewide.

"Each Lot 'O Play ticket includes a message indicating no multiple wins."

PGI: After just three months, Lot 'O Play is already more profitable than Super Lotto Plus. Was this success expected?

"Yes, Lot 'O Play was designed to have a 55 percent payout, while its predecessor, Super Lotto Plus, paid out 78 percent in its last year. Lot 'O Play was expected to generate more profit by starting with a more manageable jackpot," said Vasil.

"Lot 'O Play jackpots begin at \$1 million and increase by at least \$100,000, or based on sales. In comparison, Super Lotto Plus had a \$4 million starting jackpot and guaranteed \$1 million increase.

"Since the Ohio Lottery is the first state lottery to produce a non-traditional lotto game like this, it's difficult to compare Lot 'O Play to Super Lotto Plus. In its last years, Super Lotto Plus sales did not adequately support the starting jackpot, as some players moved their play to the multi-state, mega jackpot game Mega Millions."

PGI: Does more profitable also mean that the overall sales are higher?

"During Lot 'O Play's first three months of sales (Oct. through Dec. 2005), the game generated \$20.5 million in sales; \$6.1 million in low-tier prizes and \$14.4 million in gross profits. The Lot 'O Play jackpot was not hit during this time period – once the jackpot is hit, there will be a corresponding hit to gross profits," said Murray.

"In comparison, Super Lotto Plus generated sales of \$27.7 million; \$19.8 million in prizes and \$8.0 million in gross profit from October through December 2004. During this time period the jackpot was hit once.

"Based on the current sales levels, the game's well-managed prize structure has enabled Lot 'O Play to maintain a higher profit margin than Super Lotto Plus.

"Even with the higher profit margin, the Lottery has been able to provide Lot 'O Play players with more winning experience. Overall odds of winning are 1 in 5 for Lot 'O Play compared to 1 in 50 for Super Lotto Plus."

PGI: Some recent news reports indicated that players are having a hard time figuring out how to play the game. Are these reports consistent with Lottery findings?

"What we are finding is that players are a bit overwhelmed by the 00 to 99 game matrix," said Vasil.

"In recent years, players have not had to choose numbers any higher than 56, and they feel that choosing from a pool of 100 numbers is too many. In recent player intercepts, we've found players who enjoy extended-play bingo games enjoy the game, and we've also received positive feedback on the game's instant win feature, which generates a \$10 winner each 100th ticket sold statewide. These instant win prizes have a 90 percent redemption rate."

PGI: Did the Lottery anticipate difficulty in educating players on how to play Lot 'O Play?

"Yes. We realized since this bingo-style play game was unique there would be a bit of a learning curve," said Murray.

PGI: Have the recent news reports that players are still having difficulty figuring out how to play the game done anything to change your strategy in regards to the game?

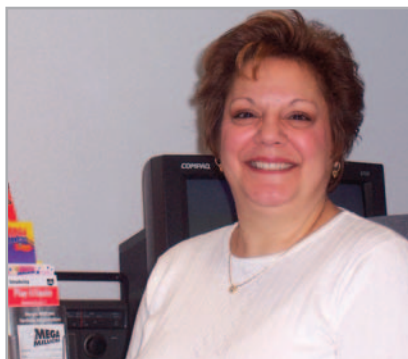
"We've begun to look at Lot 'O Play as a niche game that helps fill out our menu of on-line games," said Murray. "Players can find on-line games with payouts as small as \$1 up to mega jackpots and many prizes in between. Currently, we are planning a three-week television ad campaign to run in February."

PGI: Do you expect the Lot 'O Play player base to continue to grow?

"The Ohio Lottery is in the midst of planning a promotion to support Lot 'O Play this spring, and we are taking a look at redesigning the game matrix. Since the game went on sale through Jan. 13, sales were averaging \$828,000 a drawing. Once the jackpot is hit, we expect to see sales grow as players see the game as winnable. Recent sales trends indicate average sales of about \$1.3 million per week. We anticipate maintaining these sales figures," said Murray. ♣



Deputy Director of Product Development,
Patricia Vasil



On-Line Product Manager Sharon Murray

Something New!

SMART-Tech 2006 Supplement
to *Public Gaming International Magazine*
a new service of PGRI to bring added value
to our advertisers and sponsors!



Your edition of *Public Gaming International Magazine* will continue to be delivered electronically to you each month, and will also continue to be available on PGRI's website:

www.publicgaming.org



Public Gaming International Magazine

Where you want it, when you want it!

The world's most widely read lottery and gaming magazine.



Licensed Products: An International Lottery Players' Survey

By Phil Kopel, President Kopel Research Group, Inc.

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

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

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

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

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

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

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

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

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

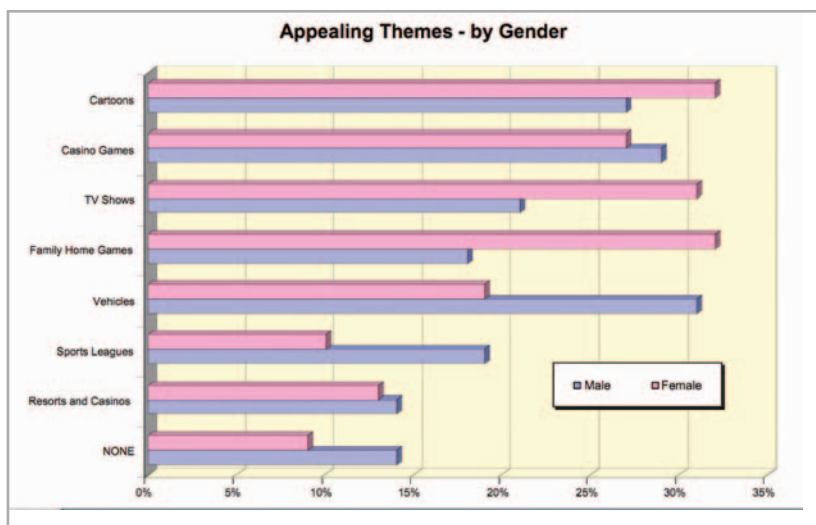
Chart 2 shows that a respondents' age also affects their interest in themes.

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

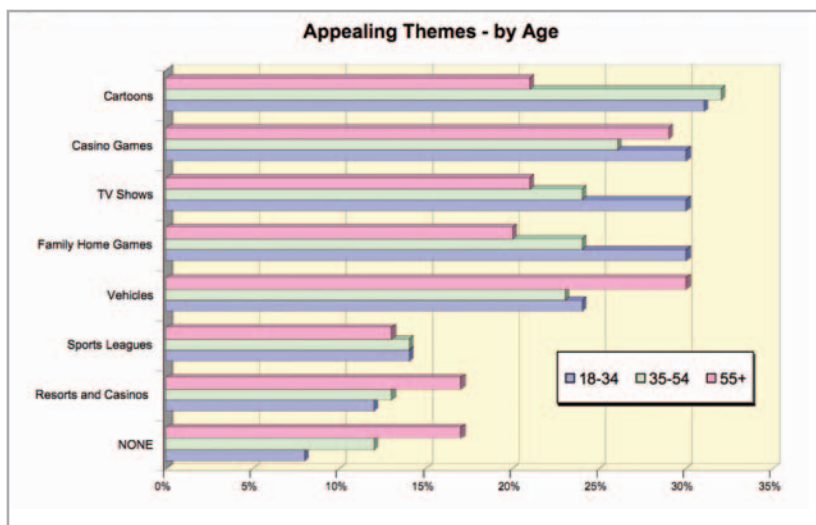
Respondents aged 18-54 years old were significantly more interested in Cartoon themes than those 55 and older.

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

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



Graph 1



Graph 2

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

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

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

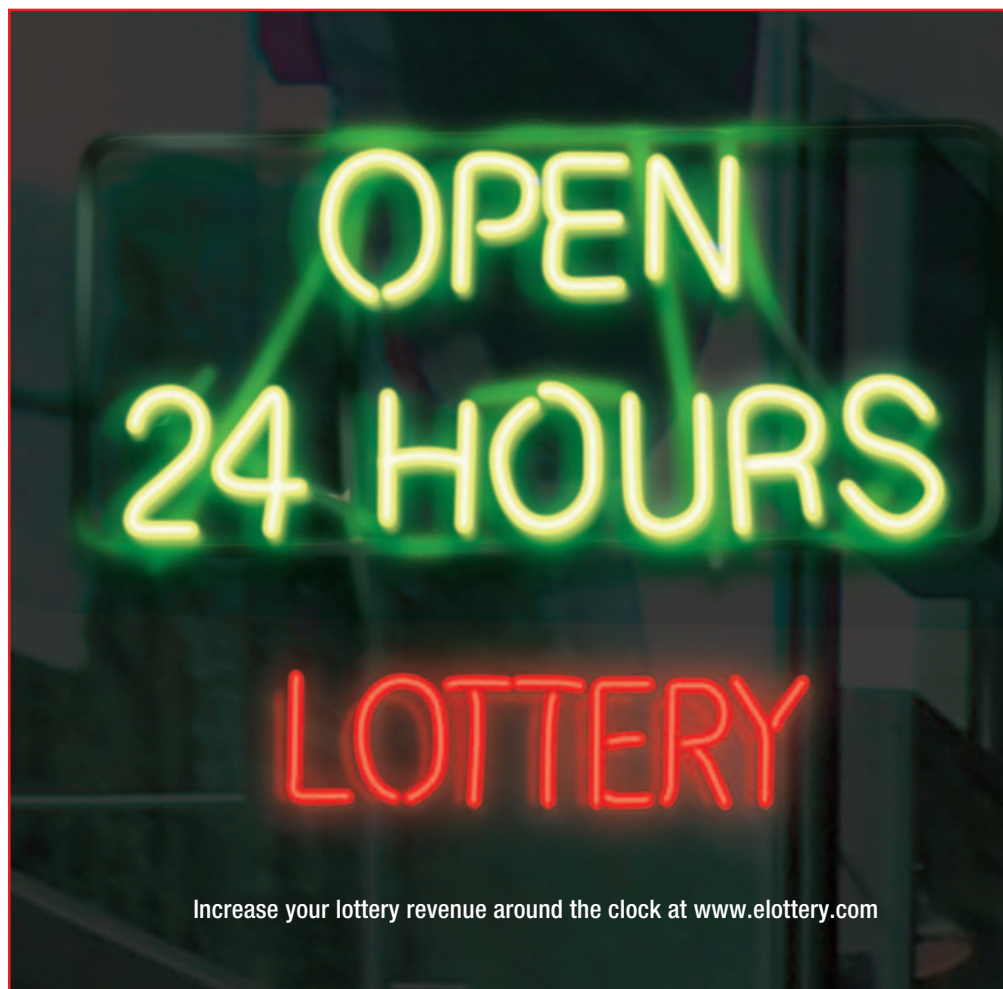
One way of thinking about how the Lottery should properly mix the Instant games is to use the common analogy of filling a jar. First there are the Instant games that have very broad appeal at each of the most widely played price points, they are the large rocks that go into the jar first. Then there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

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

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

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

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



OPEN
24 HOURS
LOTTERY

Increase your lottery revenue around the clock at www.elottery.com

Now you can have a whole new channel of distribution that's open 24 hours a day, 7 days a week, 365 days a year. A channel that gives you the potential of a double-digit sales increase at no additional cost to your state. In addition to round-the-clock access, eLottery's patented technology is reliable, safe and secure. And eLottery's system and operations are audited and certified by your online game provider and comply with all federal laws. Implementing eLottery is also painless: No RFP is required, simply use your non-exclusive sales agent's agreement. Put revenue and time on your side.



Instant Replay: The Massachusetts Answer to Lottery Litter



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

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

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

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

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

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

Starting the Program

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

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

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

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

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

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



Tips on Launching a Lottery Ticket Recycling Program

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

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



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

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

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

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

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

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

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

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

The Future of Instant Replay

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

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

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


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

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

The benefits of expanding the Instant Replay program are obvious.


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

True Random Number Generator



QUANTIS

Based on quantum physics



Sales@idquantique.com

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

John Von Neumann, 1951

For modern Lotteries and Gambling solutions

Key Features

Up to 16 Mbits/s randomness stream

Main OS supported

Passes all tests

PCI card and OEM module available

www.idquantique.com

Special Recognition: West Virginia Lottery Start-Up Employees

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

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



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

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

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



West Virginia Lottery Unveils Plans for 20th Anniversary

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

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

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

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

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

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

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

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

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

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

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

what early lotteries had to confront and overcome.

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

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

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

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

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

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

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

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

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

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

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

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

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

SplashDot

**WINNING
CUSTOMERS OVER**

*Increase revenue and customer loyalty
through innovative contests,
interactive second chance draws
and VIP/Player clubs.*

**Call 1-866-899-0597
or visit our website at www.splashdot.com**

R&D Compensation = Lottery Growth

By Steve Saferin, President, Scientific Games Ventures



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

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

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

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

As best as I can interpret things I sense a fear on the part of the lottery com-

munity that one or more vendors will develop a product that will put the vendor in an unquestioned position of superiority in a commercial negotiation with one or more lotteries. It certainly is a reasonable concern on its surface but if you examine it in the bright light of the reality of our industry its flaws are apparent. It is a simple exercise in deductive reasoning:

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

We are faced with a unique business dynamic where the needs of the private sectors intersect with the requirements of the public sector. It seems that on the issue of intellectual property we are hurdling towards a head-on collision.

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

IP Content Standards

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

Don't gamble on your next idea.
 Understand your customers. Evaluate your concept. Build your business.
 Find out more at www.ipsos.ca/goto/lottery/ or call us at 403.237.0066

Good Causes.

Natural resources & tourism



Education programs



Health & welfare

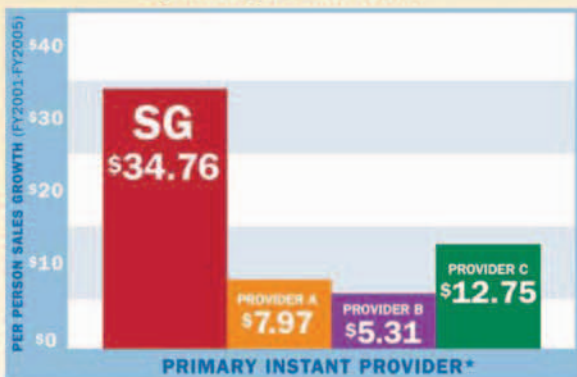


Senior assistance



Good Choice.

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



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

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

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



DELIVERING SERIOUS FUN!

www.scientificgames.com