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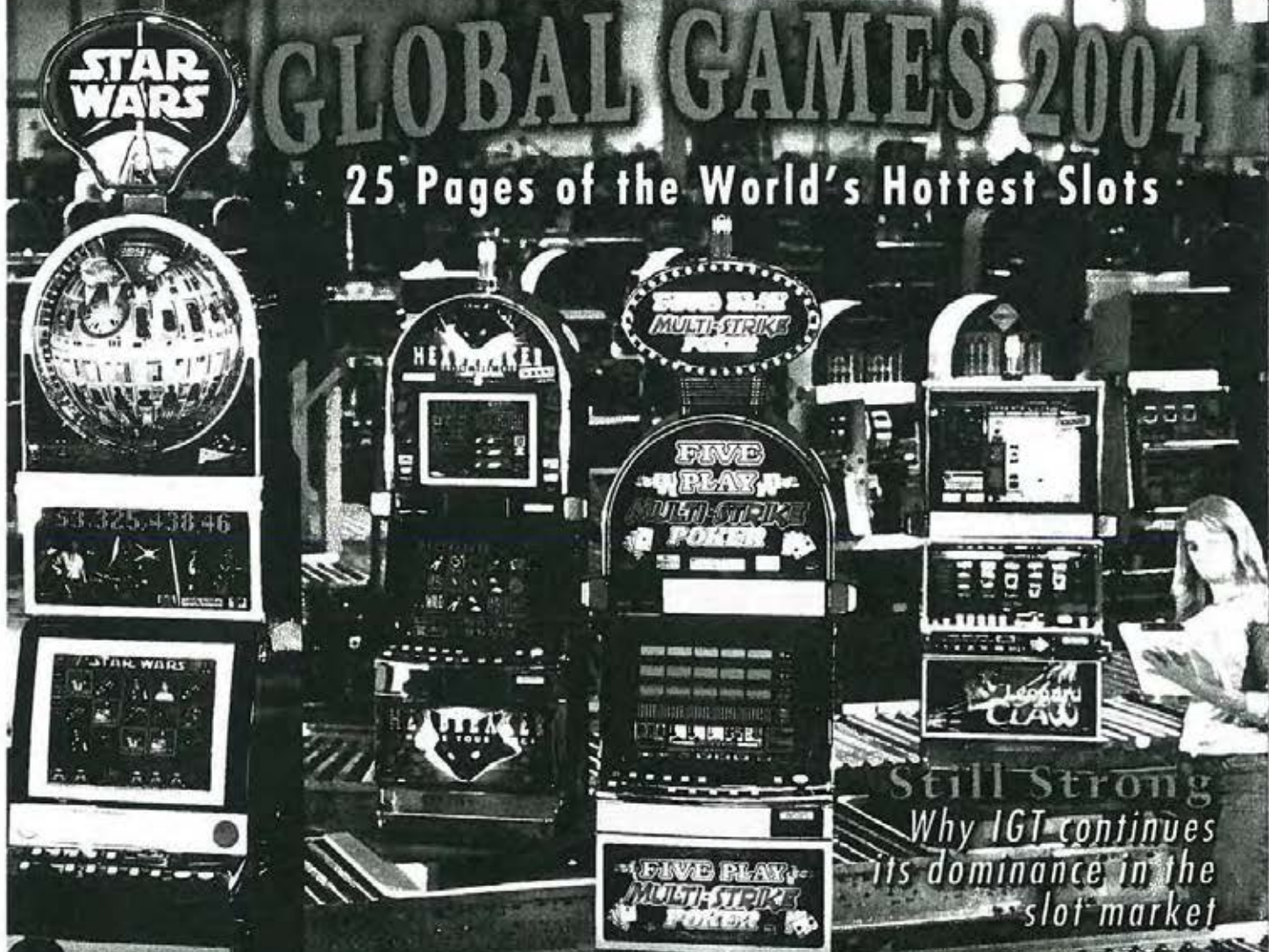
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GLOBAL Gaming Business

Vol. 3 • No. 10 • October 2004 • \$10

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by Frank Legato,
with sidebars by Frank Fantini and Matt Ward

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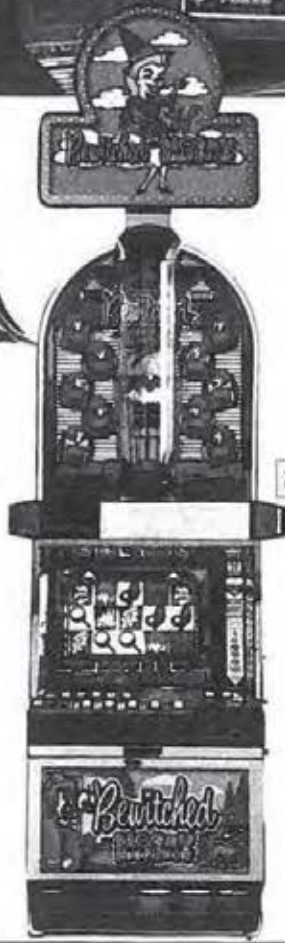
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A Battle Is Brewing

Paul Dworin, Publisher



As that New York Yankee Hall of Fame catcher, ersatz philosopher and master of the malapropism Yogi Berra once proclaimed, "It's *déjà vu* all over again." Only in this case, "It's *ya visto* all over again" would be more appropriate because Yogi, my muse in so many areas, would be talking about the trade show war currently being fought in Argentina.

Reminiscent of the early fall of 2001 when the fledgling Global Gaming Expo (G2E) was launched in direct competition to the then-mighty World Gaming Congress & Expo (WGCE)—with both events being held two weeks apart in the same venue—there are now two trade shows battling for market share and supremacy in the Latin American market, with the two events being held at virtually the same time early next month.

The new show, in its second year, is the Latin American Gaming Expo (LGE), which is a joint venture between ALAJA (The Latin American Association of Games of Chance) and E.J. Krause & Reed Exhibitions. The old show, now in its 12th year, is the South American Gaming Suppliers Expo (SAGSE), which is produced by Monografie, a private company that also publishes coffee table books on casinos around the world.

Just as the G2E was launched due to market concerns over the management of the WGCE and the desire by the U.S. gaming industry's trade association, the AGA, to have a show "by the industry for the benefit of the industry," the LGE was launched last year as a result of market concerns over the management of SAGSE and the desire of the Latin American gaming industry's trade association, ALAJA, to have a show produced "by the industry for the industry."

And, just as it did in 2001 with the G2E and WGCE, two shows being held two weeks apart in the same location in 2003 created market confusion, market fragmentation and two less-than-stellar events.

Recognizing that two shows were untenable in a rather stagnant market, Gabriel Pascual, managing director of E.K. Krause and Reed Exhibitions, recently extended an olive branch of sorts to Giorgio Gennari Litta, the head of

Monografie. In an open letter to the industry on August 30, 2004, Pascual wrote:

"Nowadays there's a pointless fight between both shows and we strongly think, as businessmen, that this has to change, we must leave our own interests behind to give priority to what the market is asking for."

"Our proposal, now made public through this letter, was simple, fair for both sides, and aimed to include the local industry, add the international agreements and bring anything that can add to the project to be able to generate a really strong event that could become the third most important trade show in the world after Las Vegas and London."

"We proposed a 50/50 deal; today we know what both events have separately. We proposed to generate a new brand for the fair, or join the existing ones. We proposed to add both organizations as sponsors, as well as adding international bodies. In short, our position was one of trying to generate a new event that would have the strength of local and international companies and all the institutional support."

To no one's surprise, Litta rejected the offer and the situation continues, to everyone's chagrin. The only thing I can say to Mr. Litta is: Remember what happened to the WGCE? *No existe más.*

Speaking of associations, it's more than past time for a strong, unified organization to arise in Europe to protect the interests of the industry against the indifference of the bureaucrats in Belgium. While there are a number of organizations that represent a variety of constituencies—from remote gambling to betting to Western European operators—there is no single organization in Europe that speaks with one voice on behalf of all sectors of the industry.

Never has this been more apparent and critical than with the recent issuance by the EU of the proposed anti-money laundering directive, which was drafted with little if any input from the industry upon which it will have a tremendous impact.

Who speaks for European gaming interests is a major subject for discussion at this year's G2E, one of nearly 140 conference sessions addressing a range of issues. Titled "Politics and the EU: Who Really Represents Gaming Interests in Brussels?" and scheduled for 9 a.m. on October 5, this session is a must for anyone concerned with the future health of the gaming industry in Europe. □

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Paul Dworin, Publisher
pdworin@ggmbiz.com

Roger Gros, Editor
rgros@ggmbiz.com

Frank Legato, Senior Editor
flegato@ggmbiz.com

Matt Ward, Associate Editor
mward@ggmbiz.com

Louis L. Long, Art Director
llong@ggmbiz.com

David Cohen, North American Sales & Marketing Director
dcohen@ggmbiz.com

Peter White, European Sales & Marketing Director
pwhite@ggmbiz.com

Peter Romano, Assistant Executive
prmano@ggmbiz.com

Betsy Kingman-Gros, Controller
bkingman@ggmbiz.com

Columnists

Anthony Cabot, Frank J. Fahrenholz Jr., Larry Klatkin, Dave Newton, Jim Rafferty, Ernest Stevens Jr.

Contributing Writers

Gary Barber, Frank Fennell, Harlan W. Goodson, Allen Grant, Arjan Kesselowski, Chris Mumford, Kate Spillie, Ian Sutton, Holly Ward

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American Indian Economic Development

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David D. Widdell, Partner and Chairman
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Global Gaming Business
5410 Cameron St., Suite 204, Las Vegas, NV 89118
702-248-1565 • 702-248-1567 (fax)
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FRONT LINE

Due Divestiture

Harrah's, Colony Capital in talks over property sales

Harrah's Entertainment and Colony Capital last month confirmed discussions were underway for Colony, the owner of Resorts Atlantic City and the Las Vegas Hilton, to buy four properties that are currently owned by Harrah's and Caesars Entertainment, which would be purchased by Harrah's under a pending \$5.4 billion arrangement announced in July. Experts believe the sales would help Harrah's receive the regulatory approvals necessary to complete the deal.



Hilton, Atlantic City

Colony, Harrah's and Caesars have extensive experience dealing with each other. Colony sold its Harveys properties in Lake Tahoe and Iowa to Caesars in the 1990s. Caesars recently completed the sale of the Las Vegas Hilton to Colony. The company also owns Resorts Atlantic City, which it bought from Kerzner International.

Sources say the deal was worth more than \$1.25 billion and included the Atlantic City Hilton, Harrah's East Chicago, Harrah's

Tunica, and Bally's Tunica. The deal came just days after Harrah's announced it had received a request from the Federal Trade Commission for more information concerning the Caesars deal.

Although Colony has a reputation for buying properties at a bargain and selling them at a profit, recent moves indicate the company may be interested in becoming a major player in the gaming industry. It recently opened a \$90 million expansion at Resorts Atlantic City and has major plans to revive the fortunes of the Las Vegas Hilton.

Harrah's had issued an RFP for the properties soon after the Caesars deal was announced. Although several companies reportedly responded, Colony made the top offer, which some analysts characterized as "top dollar."

Still, the move was not unexpected. The properties are not considered to be essential to Harrah's goals since the company could still have a major presence in all three markets.

The sale of Harrah's East Chicago is mandated by Indiana regulations that limit one company to the ownership of two properties. The sale would leave Harrah's in control of the Horseshoe in Hammond and Caesars in southern Indiana.

In Tunica and Atlantic City, the Harrah's-Caesars merger would give the company control of approximately 50 percent of the market, and the sales of properties in those jurisdictions may ease regulatory concerns. In Tunica, the company would retain Grand Casino, the Sheraton and the Horseshoe, while in Atlantic City, it would be left with Harrah's, Showboat, Bally's and Caesars.

New Jersey family buys Reno Fitzgeralds

After almost four years, the Fitzgeralds Gaming Corp. has finally sold its Reno property. The new owners of Fitzgeralds Casino-Hotel are a New Jersey family with gaming experience at the Tropicana Casino and Resort in Atlantic City.

The family's company, LH Holdings of New Jersey, was formed for the purpose of buying the Fitzgeralds for \$9.9 million.

If the transaction goes smoothly, Fitzgeralds will soon be operated by Wolf Lichten, the chairman and CEO of the new company, and his son David Lichten, chief operating officer, sometime next year. Both are employed as senior vice president and vice president of marketing, respectively, at the Tropicana in Atlantic City.

Two years ago, Caesars Entertainment sold the Flamingo Hilton Reno to a new gaming operator, which now calls it the Golden Phoenix.



Sacred sites to be protected in California

California's legislature has sent Governor Arnold Schwarzenegger a bill meant to help protect the state's Indian tribes' sacred sites, burial grounds and archaeological sites from development.

SB 187 calls for municipalities to consult with affected tribal governments before adopting or updating general plans or specific sites, according to the California Nations Indian Gaming Association. The bill also lets tribes acquire conservation easements and get such sites included in designated open-space areas.

CNIGA Chairman Anthony Miranda says that developing a system whereby tribes and local governments more closely communicate with one another to identify sacred sites at the earliest possible stage is a critical first step toward preserving such lands.

Oklahoma tribe offers deal for New York casino

The Seneca-Cayuga tribe of Oklahoma is offering to pay off a land-claim judgment won against the state of New York, in exchange for the right to open a casino in the Catskills.

In 2001, a judge awarded the Seneca-Cayugas and the New York Cayuga tribe, to which the Oklahoma tribe claims ancestral links, a judgment of \$247.9 million in settlement of a 1980 land claim involving 64,000 acres at the northern tip of Cayuga Lake in New York's Catskills mountains. The judge in that case held that the land was illegally taken from the Cayuga tribe 200 years ago. Both sides appealed that decision to the U.S. District Court of Appeals, with the tribes contesting the settlement amount as too low and the state saying it is too high.

The Oklahoma tribe has offered to pay the \$247.9 million for the state, plus additional payment should the settlement amount be raised during the appeal process, if the state grants its longstanding wish to open a casino in New York.

The tribe also has pledged as part of the deal to relinquish its rights to owning any sovereign nation property in the land-claim area; and to abandon plans to build an electronic high-stakes bingo hall on 229 acres it owns in Aurelius.

New York-Cayugas are likely to fight any such settlement. The New York tribe is involved in a court case challenging the claims of the Oklahoma tribe of ancestral ties to the historic Cayuga Indian Nation.

Governor George Pataki has not publicly stated his position on the offer.

Pennsylvania gaming board nominee withdraws

Former Philadelphia Police veteran Frank Friel last month withdrew from consideration for the position of chairman of Pennsylvania's new Gaming Control Board, to which he had been appointed by Governor Ed Rendell.

Rendell, a Democrat, had stood by his appointee as Pennsylvania's Republican members of the General Assembly called for him to rescind his appointment of Friel, who, while a Philadelphia cop, headed the task force credited with bringing down the Philadelphia mob of Nicodemus Scarfo.

Republicans called for Rendell to dump Friel after several allegations questioned his integrity, although nothing was ever proven. Friel announced he was stepping down because the media scrutiny was having a "tremendous and harmful impact" on his family.

Rendell had not yet decided on a replacement for the board chairman position at press time, though he did say several candidates were under consideration.

Buenos Aires nixes slots at tracks

The Buenos Aires state Senate last month approved a new law to regulate the province's horseracing industry, but turned down a bid by the tracks to install slot machines and legalize simulcasting.

The measure now goes to the Buenos Aires state House of Representatives for ratification.

The state's racing industry, led by the La Plata and San Isidro tracks, lobbied heavily for slot machines, arguing that slots at the track—"racinos"—are the industry's salvation.

Pablo Piffaretti, head of San Isidro's racing committee, said the state's senate showed "its ignorance on the matter" and added that the senators "never explained why they changed the law sent to them by the governor" regarding slots.

Meanwhile, in the Federal District of Buenos Aires, which sits in the middle of Buenos Aires city—a different governmental entity from the province of Buenos Aires—the Hipódromo de Palermo has more than 1,000 slots in operation.

The Senate did throw the tracks a little bone by mandating that "a minimum of 9 percent and a maximum of 15 percent" of the money the province derives from gaming machines will be diverted to "tend to the needs of the horse industry."

The Senate also explicitly rejected the concept of simulcasting races from other Mercosur countries (Brazil, Paraguay and Uruguay) but did allow for the possibility of simulcasting "international classics."

California megacasino stalled, four others OK'd

Bay area casino agreement scrutinized by opponents

Plans for California's first urban casino, one of the world's largest, are on hold for at least four months despite Governor Arnold Schwarzenegger's approval. State lawmakers refused to rush to judgment on such a huge, controversial project—even scaled back by the Lytton Band of Pomo Indians from 5,000 to 2,500 slot machines to be installed at the tribe's San Pablo card room near San Francisco—during the last days in August before they adjourned until late December.

The San Pablo casino controversy centers on the project's size, which astounded and alarmed many San Francisco Bay area residents, politicians and card-room operators when Schwarzenegger announced the agreement last month. The governor, while claiming reluctance to approve an urban casino in the face of a surreptitiously passed federal law allowing the Lyttons to buy off-reservation land for a casino, lauded anticipated state revenues of up to \$170 million a year from 5,000 slots or more. The number could be

expanded in 2008, and Schwarzenegger is seen as eager to get anything he can from tribal compacts to counter a multibillion-dollar budget deficit.

Legislators in Sacramento did OK four other casino proposals Schwarzenegger's administration packaged with the Lytton plan in hopes of speeding up to 25 percent of each one's expected revenue into the busted-budget state's coffers. As required by state law, the legislature considered the governor's approval of gaming compacts with:

- The Coyote Valley Band of Pomo Indians, which wants to expand its Ukiah-area casino, closed by authorities in early summer for operating without a compact;
- The Buena Vista Band Rancheria, which plans a casino-resort in Lone;
- The Ewiiapaayp Band of Indians, looking to operate in eastern San Diego County; and
- The Fort Mojave Indian Tribe, which wants to open a small gaming facility near the desert town of Needles.

Looking for tourists more than taxes in Chicago

Publicly owned downtown casino would create taxes, visitors

To build a downtown Chicago casino "merely for tax revenue is not right," says a consultant for a local business, labor and tourism group now plumping for a 3,000-slot entertainment venue that would steer money to other businesses from new potential customers—tourists. The casino should in fact be part of a new entertainment district and used as a city building tool, in the view of the Chicagoland Chamber of Commerce, the Chicago Federation of Labor, AFL-CIO and the Chicago Convention and Tourism Bureau.

"We've got to show there is a market here that needs to be protected," says Jerry Roper, president of the Chicagoland Chamber of Commerce. "We're not just spinning them (public leaders), but making sure they understand this city and state has the vision to attract tourism, conventions, trade shows and business."

The coalition is proposing a privately operated casino jointly owned by the city and Illinois, centered at a yet-to-be-chosen site near many of downtown Chicago's cultural establishments and activities.

Past proposals for a downtown casino were based on the notion of raking in revenue for the city and state, but none persuaded Governor Rod Blagojevich to drop his opposition to a land-based casino there. He favors rural economic development using riverboat casinos now allowed by state law.



Downtown Chicago

Packer picks U.K.

Australian gaming magnate to join Aspinall for Midlands casino

Australia's richest man, Kerry Packer, has revealed his intention to take a strong stake in the British gambling market and capitalize on changes to gaming laws that could liberalize the sector by as early as next year.

According to British reports, Packer's private investment vehicle, Consolidated Press Holdings, and its partner, British entrepreneur Damian Aspinall, have announced a £50 million casino development in England's Midlands.

The deal will see the partners develop the Brierley Hill complex near Birmingham. The project will cover 232,250 square feet and contain eight restaurants, an 80-bed hotel, a 1,000-seat theater and the casino.

The investment is the biggest yet for the partners, who expect to open the Gate, their 46,500 square-foot Newcastle complex, by next year, and Salubrious Place, in Swansea, as early as 2006. Salubrious Place will be nearly 100,000 square feet. In an official release, the partners said they intended to have a portfolio of 12 to 16 sites across Britain.

"With potential for the modernization of gaming laws that's been talked about for the last four years finally coming close to the wire, we're starting to really ramp up our efforts," said Andrew MacDonald, Packer's top gaming executive with CPH. "The list is fairly extensive as to what we're looking at.

"We'd take as many as we could, to be blunt. We'd just like to be a player in this market and if it so happens that we end up being one of the biggest and the best, then all the better."

The investment is being made through the Aspinall Packer Group, of which the Packer family is believed to own 35 percent.



Kerry Packer, whose Consolidated Press Holdings owns Melbourne's Crown Casino, will now develop new casinos in the U.K.

Pinnacle wins twin St. Louis bids

Company also bids on bankrupt President casino

A strategy to link the development of two dockside casinos in the St. Louis area was a winner last month when the Missouri Gaming Commission agreed with city and county officials that Pinnacle Entertainment should develop both.



Pinnacle outbid Penn National for the right to purchase the bankrupt President Casino on the Admiral in downtown St. Louis.

The company had pitched its plans to the governing bodies in the city and county, receiving approvals there, along with development agreements. In both cases,

these agreements tipped the scales for the gaming commission.

In downtown St. Louis, Pinnacle will build a casino hotel complex in the LaClede's Landing area. The \$200 million project will include a 75,000 square-foot casino with 2,000 slot machines and 40 table games, a hotel with 200 rooms and 2,000 parking spaces. The project will also include a spa, 12,000-square-foot meeting center and a 22-story condominium tower or other housing. The project will debut in late 2006.

In suburban LeMay, which has been pursuing a casino for almost 10 years, Pinnacle will spend \$300 million for a 100-room hotel, a 90,000 square-foot casino with 3,000 slot machines and 60 table games, and 5,200 parking spaces. The project will also include an outlet mall, a movie theater and a bowling alley. Its grand opening is slated for late 2007.

A week later, Pinnacle outbid Penn National Gaming to purchase the bankrupt President Casino on the Admiral. An auction will be held this month to determine the final winner of the property.

Former Castaways in Vegas to cater to Hispanics

The new owners of the former Castaways casino along Boulder Highway in Las Vegas hope to reopen the renovated venue as an attraction for the area's growing Hispanic community.

Renamed the La Joya del Sol, or jewel of the sun, the casino's management team, MGI Group, hopes to get licensed by December, when the company plans to open the casino's doors.

MGI Group is a partnership of Randy Miller, Rich Gonzales and Rich Iannone that also owns the Longhorn casino on Boulder Highway and the Big Horn casino in North Las Vegas. All are licensed for those venues so there is hope for a quick review by the Gaming Control Board.

MGI bought the former Castaways from Vestin Group, which is allowing the new owners to make renovations despite the licensing question remaining an issue. Vestin Group held loans the Castaways' previous owners owed and was forced to foreclose when the loans were not repaid. It's been closed since January.

Namibia to offer more licenses, control

The Namibia Ministry of Environment and Tourism is set to introduce an amendment to the country's Casinos and Gambling Houses Act that, among other actions, tightens control over gambling, improves the collection of gaming taxes and lifts a seven-year moratorium on the granting of new gambling licenses.

The amendment was approved by the cabinet in a meeting held in late August and will be sent to the National Assembly for approval.

The Casinos and Gambling Houses Act was approved in 1994, and since then 260 gambling house licenses and three casino licenses have been issued. In 1996, however, the act was amended because it was felt that gambling licenses were being issued too easily, which could have a detrimental social impact on the community.

The cabinet established a commission to investigate the situation and make recommendations, one of which was the ban on new licenses from January 1 1997. No new applications for gambling house licenses have been accepted since then.

The cabinet noted that the demand for gambling houses had expanded and a fair amount of illegal gambling activities have sprung up all over Namibia.

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They Said It!

“An overall increase in the casino tax rate, with additional revenue directed to state government, like other sources of state revenue should be on the table. But local governments should not be forced to bail out the state.”

—An editorial in the *Memphis Commercial Appeal* on legislative suggestions that Mississippi will take some of the local casino tax revenue to balance the state budget instead of raising the overall casino tax rate

“Macau is a value-for-money destination. It's a city of festivals. You can bundle Macau with Hong Kong, and you will discover that it is a unique destination in itself. We are still very European, and you will see that not only in our heritage but also in our culture, and in some of our products.”

—Joao Manuel Costa Antunes, director of the Macau Government Tourist Office, said at a meeting of tourist industry officials in Taiwan

“No presidential candidate should visit Las Vegas without condemning organized gambling, which seduces people who come here as hopefuls and leave here as losers. This leads to a psychology where people are betting on the future instead of building their future.”

—Presidential candidate Ralph Nader on his first—and possibly last—campaign stop in Nevada

“If the speaker's ever serious about a bill, I will spend all night, however long it takes, to get it done. If it's just screwing around, the way we have for 18 months, with a different position every week, we're done. The people will speak in 2006, believe me, on this issue.”

—Maryland Governor Robert Ehrlich, criticizing state House Speaker Michael Busch over the failure to reach an agreement to legalize slots in the state

“If gambling is one of the things tourists want to do, then maybe we should allow them to do that, find some way to do that, and as a result of that over 10 years double the tourist traffic volume. I think we should think about it.”

—Singapore's new prime minister Lee Hsien Loong in a statement embracing the concept of allowing a casino in Singapore

The Nutshell

Sun International is considering building a casino in Luanda, Angola, that would include a hotel, spa and conference center in a very attractive location, Peter Bacon, the chief executive, disclosed last month. Although Bacon said the Luanda prospect was still at the due diligence stage, he pointed out Sun International felt that “oil economies are doing terribly well,” hence his company was considering a casino complex in Luanda. Mozambique also had “considerable potential,” he said. The drawback was a lack of infrastructure. • Connecticut's Mohegan tribe is considering the purchase of a country club with an 18-hole golf course, so its Mohegan Sun casino can better compete with Foxwoods, where the Mashantucket Pequot plan to open the Lake of Isles Golf Resort across the street from the casino hotel. The Mohegans are reportedly negotiating with the owners of the Postspaug Country Club, an 18-hole private golf course with clubhouse facilities on an 88-acre parcel in Baltic, 15 minutes from Mohegan Sun's Uncasville, Connecticut, location. • Grand Forks, North Dakota officials are considering supporting the Turtle Mountain Band of Chippewa's effort to open a casino in the city. Officials said the community could use the added revenue from tourism and gaming related side-businesses. Tribal officials said they couldn't succeed without the city's support. Mayor Mike Brown toured the reservation last month and sat down with leaders to talk about the casino. Tribal leaders said they plan to include city officials and the public in the whole process. • Finnish charitable foundations recently announced a new hotline, “Peluri,” to give guidance to the country's gambling addicts. The service also offers counseling to a gambler's family. The service is nationwide and calls are charged at a flat rate. Calls can remain anonymous if wished. Various reports estimate between 25,000 and 65,000 Finns are compulsive gamblers. Annually, 5,000 to 6,000 thousand people are taken into rehabilitation due to gambling addiction. • Yonkers Raceway owner Tim Rooney said last month that it will be at least a year before the track's planned \$155 million video lottery operation can open. Rooney, whose family owns the Pittsburgh Steelers, said it will take at least a year for the track to be completed because work has been delayed as consultants complete required environmental impact studies. Yonkers is expected to eventually house as many as 7,500 VLTs in a 98,000-square-foot building in the area of the former grandstands. • Foxwoods Resort Casino, the largest casino in the world, celebrated its \$300 million expansion recently with the opening of the newly expand-

ed Rainmaker Casino and Hard Rock Café. The new Foxwoods expansion features a new seven-story, 2,100-space parking garage with direct access to the new Rainmaker Casino. Patrons will walk by glass-enclosed cases of famous Hard Rock memorabilia lined by stone columns and flanking glass enclosed concourses. A 50,000-square-foot clubhouse will be completed this month and championship-caliber golf courses ready next spring. • Las Vegas businessman Andrew Donner was granted a gaming license for the Lady Luck Casino Hotel in Downtown Las Vegas. Donner, who moved to Las Vegas 10 years ago and has 16 licenses for slot machines in taverns, will hold 70 percent of the gaming operations in the Downtown casino. He says he is in negotiations to buy the 758-room hotel. • Table game supplier Paul-Son Gaming Corporation officially announced the change of its corporate name to Gaming Partners International Corporation. The company will now trade on NASDAQ under the symbol GPMC. Officials say the new name accurately reflects the mission of the company as partners to the international casino industry. The company was formed via mergers which combined the three largest table-game suppliers in the industry—Paul-Son, Bud Jones Company and Bourgogne et Grissat. The names of the former companies will live on as brands for GPI's chips, dice, cards, jokers, plaques and other table supplies. • Investors from the United States, including billionaire Donald Trump's son, plan to invest US\$3 billion to develop Yeongjong Island in Incheon, part of a Korean government project to create a North-east Asian logistics hub. A second delegation, arriving next month, will include representatives of casino and hotel operator MGM Mirage. Trump's group is considering a casino, hotel and convention center development. That would fit with the government's plan to develop the reclaimed island located 50 kilometers west of Seoul and already home to the nation's Incheon International Airport. • The British trade association BACTA has emphasized the importance of the triennial review of gaming machine stakes and prizes after indications that this year's review would be delayed. The association's Leslie McLeod-Miller commented, “The gaming and amusement machines market is struggling in the face of rising costs and in particular the dramatic growth in the number of high stakes and prize FOBTs in High Street bookmakers. It is critical that the industry is allowed to respond competitively now.”

Calendar

OCTOBER

October 5-7: Global Gaming Expo (G2E). Las Vegas Convention Center, Las Vegas. G2E - AGA/Reed Exhibitions, www.globalgamingexpo.com. Contact Kimberlie Leon, 203-840-5653 or kleon@globalgamingexpo.com

NOVEMBER

November 3-5: Racino 2004. Marriott Toronto Airport, Toronto, Ontario. Produced by G2E - AGA/Reed Exhibitions, www.g2eracino.com. Contact Kimberlie Leon, 203-840-5653 or kleon@globalgamingexpo.com

DECEMBER

November 9-11: Latin American Gaming & Entertainment Expo. La Rural, Buenos Aires, Argentina. Produced by G2E - AGA/Reed Exhibitions, www.globalgamingexpo.com. Contact Kimberlie Leon, 203-840-5653 or kleon@globalgamingexpo.com

December 14-16: 13th Eastern European Leisure Exhibition (EELEX). Expocentre, Pavilion 2, Krasnaya Presnya, Moscow, Russia. Produced by Unicum SPB, www.eelex.net. Contact Daria Gorushkina 7 095 933 7770 or dagord@unicum.ru



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A Roll of the Dice

Voters evaluate gaming issues in several states

Larry Klatzkin



It is that time of year again when the annual battle to approve gaming comes to a close with the upcoming November election. A number of issues are up for popular vote, although, what was felt to be the most likely pass over the last two years—slots at tracks in Maryland—was defeated in the state legislature once again. It should be noted that getting on the ballot does not mean passage is guaranteed.

A popular vote is always a tough way to get approval because of the way the electorate typically votes. It is common knowledge that a typical U.S. voter shows up less than 50 percent of the time to vote in an election—pro-gaming individuals vote this way. However, anti-gaming voters are not your typical voters. In many of their minds, they are voting against sin and it becomes more of a religious and ethical issue. Hence, anti-gamers tend to vote in a much higher percentage. They care about the issues more passionately than the pro-gamers. This leads to winning polls not always resulting in winning gaming votes.

To give you an example of this, a 60 percent-40 percent pro-gaming poll will typically end up in a losing vote. If only 40 percent of the 60 percent polled vote pro-gaming, while 80 percent of the 40 percent polled vote anti-gaming, then the actual vote will turn out to be 57 percent against gaming and the referendum loses.

This makes getting gambling approved through a popular vote difficult. The fact this is a tight presidential election year should help gaming though, since the typical voter should show up a higher percentage of the time.

Issue Oriented

This year a number of key issues are to be voted on and individual operators should benefit. However, if any of these issues pass, the big winner would be the slot manufacturers with new slot machine orders.

Florida has a constitutional amendment on the ballot to allow voters statewide to decide whether Miami-

Dade and Broward counties can allow slot machines at seven racetracks and for Jai-Alai facilities. If approved, the issue would then go to local referendum in March. The driving force for this vote is the gray-area—Native American casinos in those counties that pay no taxes to the state. The new success of the Hard Rock casino has made this issue more visible. Currently the vote looks tight, but has a chance to pass. Beneficiaries of the passage include Isle of Capri and Magna Entertainment.

In Nebraska, there are two bills on the ballot. The first would legalize two casinos in Omaha and allow close to 5,000 video lottery terminals in bars, restaurants and horse tracks in the state. The second ballot issue would allow two casinos to be anywhere in the state. Unfortunately for gaming, when two competing gambling measures are up for vote at the same time, they tend to dilute each other and lower the chances either is approved. We think this will be a tough one to get approved. If passed, Boyd Gaming and the Venetian are looking like front-runners to get licenses, while nearby Iowa casino operators Harrah's and Ameristar would get hurt.

In California, there are two competing slot proposals going to vote, although Governor Schwarzenegger's recent deal with a number of tribes probably hurt both measures' chances. The governor is publicly against both proposals. One proposal would lift limits on the number of slot machines at the tribal casinos, while requiring the tribes to pay 8.84 percent of their net profit to the state. The other proposal would tax tribes at 25 percent of their slot machine revenue. If the tribes refuse, then the state's 11 card rooms and five horse-racing tracks would be allowed to operate 30,000 slots machines at a 33-percent tax rate. Given the governor's recent maneuvers, we believe these measures are likely to fail.

In Oklahoma, Governor Brad Henry signed a bill to allow a referendum to determine whether to allow tribes and racetracks in the state to operate modified Class-II slot machines. This measure is too close to call. Magna Entertainment has a track in Oklahoma and would benefit if passed.

In Michigan, a referendum would

Gaming Industry STOCK PRICE PERFORMANCE For Week Ending September 10, 2004	
TOP 5	
WMS Industries (WMS)	10.9%
Argosy Gaming (AGY)	7.3%
Pinnacle Entertainment (PNK)	7.2%
International Game Technology (IGT)	7.1%
Alliance Gaming (AGI)	6.7%
BOTTOM 5	
Karzmer International (KZ)	-4.6%
Penn National (PENN)	-1.5%
GTECH Holdings (GTK)	-1.3%
Mandalay Resort Group (MRG)	-0.8%
Ameristar Casinos (ASCA)	0.3%
MARKETS	
S&P	0.9%
Dow Jones	0.5%
Nasdaq	2.7%

require voters to give their approval before any new gambling could begin in Michigan, except at Native American casinos and the three existing Detroit casinos. The amendment would be retroactive to January 1, 2004. Any gambling expansion would require both statewide and local voter approval. This measure is being heavily supported by both the tribes and the Detroit casinos. The state's racetracks here have been pushing for slots at tracks feeling the pressure of all the casinos operating in the state. Passage of this measure would make racinos much more difficult to allow. If it fails, we anticipate a racino bill will be proposed in the state's legislature quickly thereafter.

Approval of new gambling measures is always a long shot but we were encouraged by last year's passage of gambling measures in Pennsylvania and Maine and we plan on writing more on this after the November elections. ■

Larry Klatzkin is managing director of Jefferies & Co., responsible for equity and shared high-yield coverage of more than 60 companies in the gaming industry. He can be reached at lklatzki@jefco.com.

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By Gaming, For Gaming

Global Gaming Expo reaches new heights in 2004



Frank J. Fahrenkopf Jr.
President and CEO
American Gaming Association

As we gather this year at Global Gaming Expo (G2E), I can't help but be amazed by the progress we've made as an industry in so many ways in such a short period of time.

Four years ago, our association embarked on two important initiatives. One was G2E, the show developed "by the industry, for the industry." The other was an effort to address diversity in the workplace and in purchasing and contracting. Today, as we look back on both of these initiatives, we count them among our industry's most significant achievements.

At G2E, we have grown from a mere concept in 2000 to an event that was included in the annual list of 50 fastest-growing trade shows published recently in *TradeshowWeek*. We expect to build on last year's attendance of more than 20,000 from 49 states, the District of Columbia and Puerto Rico as well as 94 countries around the world. In excess of 650 vendors will display their wares in more than 260,000 square feet of exhibit space. You also will notice that the show floor has expanded even further this year, focusing on growth areas such as F&B, casino design and décor, bingo, security and surveillance, and interactive gaming.

The conference program has evolved in a similar fashion. Again this year, we will offer attendees more than 100 sessions with the leading experts in their fields discussing topical issues. New features will include "Signature Series" sessions on international issues, Native American issues, and casino design and décor, along with F&B and casino design and décor tracks. Not to mention the intensive, daylong G2E Training & Development Institute that precedes the show as well as the Gaming Investment Forum.

We also have given you more options to enhance your networking experience. We are debuting the "Same Suit Networking Lunches," which offers people with specific job functions (this year it's slot directors, marketing directors and Native American leaders) the opportunity to share experiences, best practices, successes and challenges. As in previous years, we will have an attendee lounge, cyber café and, of course, our welcome reception, this year at the Rio.

'More and better exhibitors, conference sessions and networking opportunities translate to a show that brings value to everyone involved in this industry.'

More and better exhibitors, conference sessions and networking opportunities translate to a show that brings value to everyone involved in this industry—whether that means making new contacts or learning new strategies—and ultimately improves the bottom line.

At the same time we began plans for G2E, the industry embarked on another important mission: to bring together experts from our member companies involved in human resources, purchasing and related areas to find ways to ensure that both our work force and our suppliers reflected the diversity of our communities. The AGA Diversity Task Force has made significant strides since its inception in 2000. Most recently, we unveiled our Online Diversity Resource Guide, which serves as an information resource for gaming companies, disadvantaged and minority and women-owned suppliers and vendors, and individuals on topics such as industry best practices, licensing and certification, state regulations and employment.

Here at G2E, we are hosting our third annual Opportunity Expo, giving certified disadvantaged and minority and women-owned businesses the opportunity for one-on-one meetings with purchasing agents from casino companies. In tandem with this effort, we are conducting a workshop to provide guidance on the certification process.

These activities are on top of two major projects undertaken by the task force. The Human Resources Subcommittee, while working on the more difficult and time-consuming task of establishing standard

industrywide job classifications, compiled the latest employment statistics by job category, race and gender in the 2003 Gaming Industry Diversity Snapshot, updating a 2001 study that established a benchmark for our industry. Meanwhile, the Purchasing and Contracting Subcommittee is compiling a list of commodities purchased by casinos and working to standardize practices in this area.

While we look back on the accomplishments we've made on G2E and diversity, we've also learned that as an industry we need to keep evolving in order to be successful. In keeping with that mandate, the AGA is embarking on a new initiative: the launch of an individual membership program along with the reinvigoration of our political action committee (PAC).

Up to this point, we have been successful in fighting for the issues that matter to our members. Now, recent changes to campaign finance laws have introduced new challenges, demanding that individuals with a stake in the U.S. commercial casino industry get more involved in the political process. As a result of these changes, political action committees (PACs) have become much more critical tools to give industries a voice on the issues affecting their business. AGA member company executives have recognized this need, challenging us to broaden participation in our PAC.

We have responded by launching a major initiative to increase individual membership in the AGA as well as an aggressive fund-raising campaign. The campaign will involve outreach to encourage PAC contributions from member companies and their employees as well as recruitment of AGA vendors and other employees involved in the gaming industry who have a right to have a voice in Congress. If you'd like to learn more, I encourage you to stop by our special PAC booth set up next to the AGA booth near the registration area, where we will be showcasing our new program.

As gaming professionals from around the world gather in Las Vegas for G2E 2004, I know I speak for our entire industry in advocating for "four more years" (and then some) of building relationships and growing our business using traditional as well as innovative ways. □

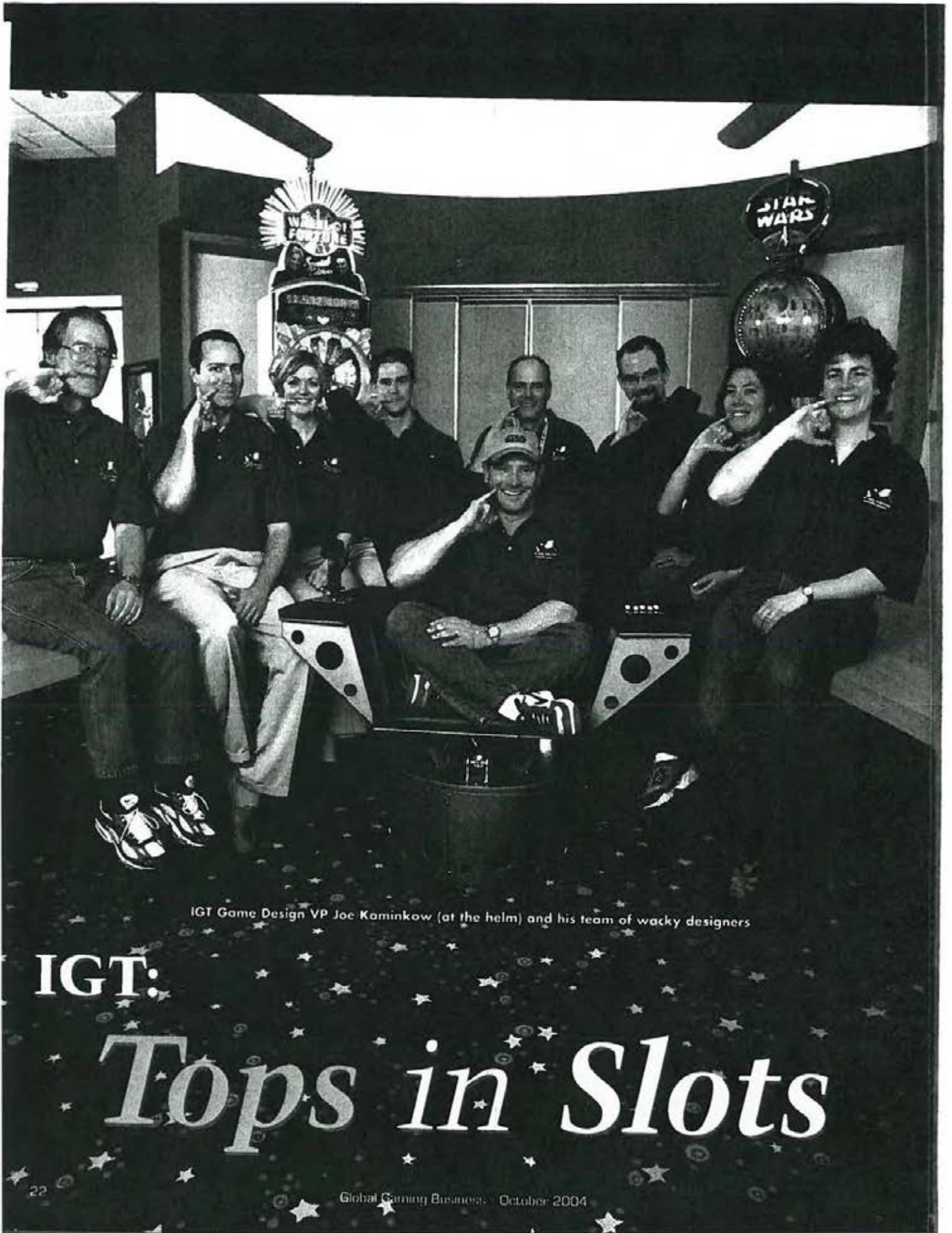


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IGT Game Design VP Joe Kaminkow (at the helm) and his team of wacky designers

IGT:

Tops in Slots

Timely acquisitions, millions of R&D dollars, and most of all, the best talent in the industry have kept IGT at the top of the slot world

by Frank Legato

The past decade has brought unprecedented change in the gaming industry. Market expansion, consolidation in operations and manufacturing sectors, and new gaming venues from racetracks and Indian reservations in the U.S. to casinos in Russia, Macau and other previously unlikely regions, have resulted in an industry that bears little resemblance to the casino business of the early 1990s.

But there has been one constant throughout all this change: Reno-based International Game Technology has consistently dominated the business of manufacturing and selling slot machines.

For more than a decade, IGT has remained firmly entrenched at the top of the slot market. While the manufacturer's stranglehold on the lion's share of the slot market has fluctuated as competitors improve technology, snatch up intellectual property and create innovative presentations for their games, the position of world leader in slots has never really been in question in the past decade. The top spot has been owned by IGT. The rest of the pack has vied for the number-two spot as IGT has commanded more than two-thirds of the market for slot machines.

How does one company maintain such dominance over any segment of the casino industry? The answer, says IGT Chairman Tom Baker, can be summed up in a single word: people. "The answer hasn't really changed—the key is having the best people, and creating an environment to motivate them in the best way you can," he says. "That results in products that are better."

"You will always be better if you have the best people," adds T. J. Matthews, the former Anchor Gaming chief who has served as CEO of IGT for the past year and a half. "We've been fortunate."

While it may all boil down to having the best people, Matthews notes that the fundamental corporate strategies employed by the company over its remarkable run at the top of the slot market have ensured IGT's talent has yielded the best results.

"The market conditions have been good, but we've been a company that has had the resources to be able to invest in development," he says. "We get out and get the most talented people, we give them all the tools



Photo by Peter Walker

they need, and we set them loose to do their jobs. In a nutshell, that's the key to the success of IGT."

Abundant resources for IGT's game developers is certainly one of the domino effects of the quality of the games themselves, but it also speaks of the company's sound financial performance over the years, notes Ed Rogich, IGT's vice president of marketing.

"You've got to give a lot of credit to the fundamental corporate business," Rogich says. "You can talk about the success of the business, but you've also got to look at the corporate business model we've put out there. We do a very good job in communication with the analysts, in putting information out to the Street. We're a very open company, and we do a good job of communicating. That's a real key to success."

Acquisitions

For IGT, sound financial footing and the development of an enviable corporate business model has meant making timely acquisitions that have strengthened the compa-

ny's market dominance. IGT has chosen its acquisitions carefully, and in all cases, has added not only to its incredible talent pool, but has added to a collection of intellectual property on both the game and system sides that has solidified the company's hold on the slot market.

Key acquisitions have included Anchor Gaming, Silicon Gaming, Sodak, Barcrest, and most recently, Acres Gaming. Each has added to IGT's dominance and, as Rogich notes, each has provided a unique fit with the overall goals of the manufacturer. "That is, again, attributable to the group that is qualifying where the fit is for a potential acquisition," he says. "Is there a fit? How does it fit? How hard will it be to integrate those companies?"

In all cases, the integration has been practically seamless, and each new acquisition filled a gap in IGT's ability to serve its customers. In the case of Anchor Gaming—the acquisition that brought Matthews to the company—several gaps were filled. Anchor had long been a partner of IGT in the development of bonus games for slots, the most

Getting good people means having respect for the fact they may do things slightly differently. In the acquisitions we've made, people matter.

—IGT President and CEO T. J. Matthews



(From left) IGT Chairman Tom Baker, Chairman Emeritus Chuck Mathewson and President and CEO T. J. Matthews

prominent being its patented bonus wheel, which became the basis for the legendary success of Wheel of Fortune. Anchor held the patent on the main bonus device for what has arguably been IGT's most successful game, but it held many other patents on secondary bonus events as well—a treasure trove of intellectual property that became the property of IGT with the acquisition.

Anchor also brought subsidiary Powerhouse Technologies, whose VLC business unit brought a ready-made system and game base in the video lottery market to IGT.

"Anchor Gaming had bought out VLC, and brought to IGT this great introduction to the populace of machines out there on the video lottery side," says Rogich. "It also brought their system side."

Although the video lottery game segment has since been sold to lottery vendor Scientific Games, new central determination, game server and Class II systems have been developed for lottery and other markets, and have provided IGT with a springboard to the future in markets such as Class

II Indian gaming and server-based, downloadable gaming.

Sodak Gaming was another longtime partner to IGT, having been the manufacturer's exclusive distributor to Native American jurisdictions and a pioneer in partnering with tribes to develop the Indian gaming market. Sodak's partnerships with the tribes are now IGT's partnerships.

Other acquisitions have filled out IGT's game library with the most formidable collection of intellectual property in the industry. Barcrest Ltd. had been a partner to IGT in providing arcade-style bonus games, originally developed for the European AWP (amusement-with-prizes) market, which IGT used as mechanical top-box bonus events with its base S-Plus, and later S2000, reel-spinning slots.

After acquiring the U.K. company, IGT expanded its development group to provide a steady stream of bonus game concepts for IGT base reel-spinners. Among the fruits of that acquisition are popular IGT reel-spinning bonus games such as Top Dollar,

which has stood the test of time in remaining popular with players for years. A new dedicated group, Barcrest USA, has been formed to support the development and marketing of the products.

Silicon Gaming had been a pioneer in 3-D, second-screen bonus events, with a novel presentation of video games that raised many eyebrows in the industry during the late '90s. "A lot of times you are looking at a company (as a potential acquisition) that has good intellectual property that you can acquire and put to work on a bigger and grander scale, using our distribution network" says Baker. "Silicon was a really good example of that—a company with some very novel ideas, great concepts, and great intellectual property that could be brought into the fold."

By acquiring Silicon, IGT nabbed IP that led to two of its most successful video slots—the "Price Is Right" series and "Family Feud." In both cases, IGT took the licenses and ran with them. The company's development team, headed by Engineering and Game Design VP Joe Kaminkow, enlisted the stars from the game shows on which the licenses were based for voice-overs, and used the animation and game feature capabilities for video slots to create play experiences precious few other manufacturers have been able to match.

The most recent acquisition, the former Acres Gaming, gives IGT the most formidable system division in the business. Acres, a pioneer in bonusing systems, which it integrated into Acres Advantage—one of the top slot accounting and player tracking systems on the market—brings new depth to IGT's system group, which has marketed its own accounting and player tracking system, the Integrated Gaming System (IGS), for years. Prior to the acquisition, Acres had been a partner to IGT, which integrated the former company's bonusing modules into IGS to provide customers with a variety of marketing options, such as customized mystery-jackpot events in banks of IGT slots.

"One of our more challenging tasks has been to bring two major systems groups together," Matthews says. "Although we worked with them closely, Acres Gaming was a very separate entity. The nice thing is you've got a common platform to deal with; the SAS protocol is there, and we are able to integrate our machines with their products."

The two system powerhouses are now one, as IGT will use the G2E this year to introduce the revamped and repositioned IGT Systems group and the "IGT Advantage" family of systems. IGT Systems will support gaming system products and video lottery applications while other areas within IGT handle Central Determination, Class II and Game Server systems.

"In bringing Acres and IGT together, we saw they had a fabulous bonusing product that is already out there," Rogich says. "It is working well at the Station properties, and they were on a parallel path with us in developing products. Ours had some good things; theirs had some good things. But when you thought about the potential of marrying those two elements... Wow, we could really put ourselves out there."

In all of IGT's recent acquisitions, the manufacturer's strategy has been to retain the culture of the acquired company—to let the employees keep doing what they do best.

"In all cases, the culture of those companies was maintained," says Matthews. "So Sodak now has a unique identity within our company; so does Barcrest. Acres is now fitting in, in much the same way. What is important for a transaction like this is not only that the plan makes sense from a business position, but also that you get good people. And getting good people means having respect for the fact they may do things slightly differently. If you're going to change the people, their motivation could change, especially if they are key players. In the acquisitions we've made, people matter."

People to Products

Each of IGT's acquisitions has augmented what has long been regarded as the top product development team in the industry. On the game side, Kaminkow has overseen a continuous reinvention of IGT's slot offerings, from the development of the Game King video slot platform to the more recent high-powered AVP (Advanced Video Platform)—all of which has served as a palette for the creation of a parade of new video slots each year, from the most innovative proprietary games to amazing presentations of games using the latest brands mined from television, film and just about every other corner of American popular culture.

On the reel-spinning side, IGT has geared up its industry-standard S2000 line with a wealth of new formats, from four-reel and five-reel setups of popular games like Wheel Of Fortune to great new bonus events on tried-and-true IGT base stepper games.

Matthews notes that even though the video slot's popularity has surged to the point where as much as 40 percent of players prefer video, as much as 45 percent of the player market still prefers spinning reels.



"We have more and more resources dedicated to the video game market, including video poker and its variations, but we still release upwards of 40 or 50 new S2000 reel-spinning games every year," Matthews says. "We're doing more and different variations, from physical bonuses such as wheels, to video on top of spinning reels, to the base game itself, with four-reel and five-reel games becoming more popular. We've done a lot of things to stay innovative on the reel slots, because there is still a core player for that type of game. And IGT is one of only a few companies dedicating any of its innovation dollars to spinning reels."

One major innovation on the reel-spinning side is the "Reel Touch" series. Previewed last year, but ready this year for a major rollout, Reel Touch is a descendant of what IGT once called the Vision Series, which consisted of IGT base reel-spinners including bonus events played out on a small color LCD screen. Reel Touch takes that basic concept to the next level, with a giant color LCD touch-screen monitor creating an interactive top box for IGT base reel-spinners.

"Reel Touch will find a nice middle niche between video reel-spinning slot fans and traditional reel-spinning slot fans," says Rogich, "because you have an interactive top box on which the player can actually go through touch-screen bonus events. These games have the kinds of bonuses you can do on a video screen—second-screen bonusing, so to speak—which you could not do with physical reels. It brings the two types of slots together in a package for those who like to play reel-spinning slots but like video bonuses as well."

The Reel Touch line will be part of IGT's usual mind-boggling display of new games at this year's G2E show. Over 200 games are

planned for preview or rollout—definite distinctions this year, as the manufacturer is following a new policy of concentrating on displaying completed products that customers can purchase either right at the show or shortly thereafter.

Show attendees will find color codes on the new games indicating whether they are previews or rollouts—a green code means the game will be available for placement within six months of show time. Thus, some of the games being officially launched at G2E are titles that were previewed at last year's show that are now ready for purchase.

For instance, attendees will be able to examine the rollout version of the "Star Wars" MegaJackpots video slot, and "Elizabeth Taylor Dazzling Diamonds," a progressive video slot that dispenses fine jewelry in addition to regular cash prizes. Both titles were previewed last year, but are now ready for rollout—Star Wars was recently approved for sale in Nevada.

Other new MegaJackpots titles previewed last year ready to roll at G2E this year include "Drew Carey," "Gilligan's Island" and "Laverne & Shirley." These titles are joined by brand-new game rollouts including "Dragnet," based on the legendary Jack Webb cop show; and "Viva Las Vegas," based on the Elvis Presley film. The manufacturer also will showcase a new five-reel, 27-coin reel-spinning version of "Wheel of Fortune."

Among the featured "preview" games will be a "Back To The Future" theme based on the famous time travel comedy films. Actor Christopher Lloyd, who co-starred in the series of films, will be visiting the show in conjunction with the preview.

New games will be displayed in every one of IGT's product groups, from Barcrest USA titles such as "Pinball" and "Golden

Dragon" to a range of Class II games based on the Reel Touch Bingo Series format, including bingo versions of "Wheel of Fortune," "The Price Is Right" and "Double Diamond." The \$2000 line of reel-spinners will see many new concepts, such as the classic "Haywire" game with a fourth bonus reel; a five-reel, nine-line penny reel-spinner called "Penny Barn;" a five-reel stepper version of the popular video slot "Elephant King;" and a new three-reel game called "Hundred Times Pay," which multiplies the 10 Times Pay concept with wild symbols multiplying the jackpot by 100 with one symbol and by 1,000 with two symbols in a winning combination.

There also will be a range of new video poker products, including a Five Play version of the popular Multi-Strike Poker developed in conjunction with partners Action Gaming and Leading Edge Design; "Pick A Pair Poker," which deals two-card hands to the player and lets him choose between three-card groupings to complete the hand; and a branded video poker game called "Kenny Rogers Poker."

IGT Systems

The G2E show also will see the official launch of the revamped IGT Systems, under the direction of President Richard Schneider. It is the new combined business unit encompassing traditional gaming management and bonus system products formerly sold under the IGS and Acres brands. All system products developed by the various product groups within IGT and the former Acres Gaming will now be marketed, sold and serviced under five distinct product divisions within IGT, all carrying the "IGT Advantage" brand. Traditional player tracking and accounting software and hardware packages are now known as the IGT Advantage Casino System. Within that product group, besides the player tracking and accounting system, are IGT's EZ Pay ticket-in/ticket-out system; new bonus products such as "Loot 66;" and one of IGT's most recent acquisitions: "Table Touch," a complete table game player tracking and accounting system. Rogich says will "be recognized as one of the best table systems on the market."

Many of these same modules will be available for the video lottery market under the IGT Advantage Video Lottery System. The basic system will be IGT's traditional video lottery management system, but additions can include any of the products being offered to provide customer convenience and build player loyalty in the casino market. Rogich comments this setup will bring casino-style marketing and player interaction not

Fundamentally Sound

Why IGT will continue to dominate

by Frank Fantini

Awonderful event occurred over the past summer for investors looking to buy bargains: IGT sold off. The world's biggest slot machine company, commanding \$47 a share in the spring, can now be bought for a little over \$30.

How did it happen? Did IGT disappoint in earnings? No, it beat expectations, set records, and once again declared it will grow earnings per share by at least 15 percent a year.

Did it cut its dividend? No, in fact, IGT hinted strongly of a dividend increase in September.

Did sales sink? No, they hit record levels?

Have hopes of gaming expansion dissipated? No, in fact, Pennsylvania legalized up to 61,000 slot machines. A number of California Indian tribes signed compacts that will add 10,000 to 15,000 slots in the near future with considerably more gaming expansion likely in the nation's largest state. The U.K. is on track to open a huge new market. Asia is booming. More states may legalize gaming. And on it goes.

The problem basically came down to one point: the replacement cycle for slot machines, driven by conversion to ticket-in/ticket-out technology, has passed its peak and new slot placements will dip until Pennsylvania, California expansion and U.K. reforms kick in late in 2005 and in 2006.

Never mind that 250,000 North American slot machines are still to be converted, and that another 100,000 need to be upgraded to TITO. Never mind that IGT is sitting on more than \$1 billion in cash; that it continues to dominate more than 70 percent of casino floors in North America; or that it is buying its shares aggressively.

Never mind that IGT's research and development budget is bigger than the entire bottom lines of its competitors, or that its base of recurring revenue machines continues to grow. Never mind that CEO T. J. Matthews has publicly declared the company will do what is necessary to defend its dominance.

In addition, a new replacement cycle may be on its way as the industry shifts towards downloadable games. In this model, the emphasis will not be on slot machines themselves, but on games that can be downloaded to existing machines.

Downloadable game technology is available today, but it may take until 2007 to develop the plan and get it through regulatory hurdles. That would be good timing, just as the sales beam from the Pennsylvania-California-UK cycle peaks.

The downloadable game promises to be a win-win-win. Gamblers will get their favorite games in abundance. Casinos will save money by not continually buying new slot machines and will increase revenue by being able to switch to games preferred by players in the casino at the time.

And slot makers will enjoy the high margins of the new software model. That should be especially true for IGT. It will have its vast game library for casinos to choose from, and as bonus and promotions are incorporated into the machines, revenue will be driven even further, both for the casino and for IGT as it leases games on a revenue sharing basis.

IGT is already preparing for this new world, having bought Acres Gaming for its bonus software, using its R&D power to develop downloadable tools, and talking to major casino companies about how best to enter this new world.

So the future appears bright. That still leaves the question of whether the stock is expensive or a bargain. We'll let you decide.

IGT recently sold around \$32 a share. That is 17 times the \$1.84 a share that analyst Joe Greff of Fulcrum Global Partners expects IGT to earn in fiscal 2006, which starts in October 2005.

For that price, investors get a company whose management is committed to growing earnings by at least 15 percent a year—meaning a doubling in five years or less—and a dividend yielding 1 to 2 percent that should rise along with earnings.

The growth rate and dividend combine to match the projected price-earnings ratio of 17.

The next question is whether to pay a premium for IGT as a blue chip that is likely to meet or exceed earnings goals and which occupies the dominant position in a growing industry that has enormous barriers to entry.

Frank Fantini is the editor and publisher of the Gaming Morning Report. Free 30-day trial subscriptions to Fantini's Gaming Morning Report are available by calling toll free at 1-866-683-4357 or online at www.gaminginvestments.com.

'A new replacement cycle may be on its way as the industry shifts towards downloadable games. The emphasis will not be on slot machines themselves, but on games that can be downloaded to existing machines.'

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The popularity of pennies has blurred the lines of denomination as far as categorization of players.

— Joe Kaminkow, VP Game Design



only to casino-style video lottery operations, such as those in racinos, but to traditional terminal-based video lottery operations, such as those in Canada's bars and VLT parlors.

Many of these functionalities also will be available under two other new product groups, IGT Advantage Class II System and IGT Advantage Central Determination Systems. The former for Native American bingo operations, the latter for charitable gaming jurisdictions such as Alabama, or finite-pool systems such as those in Washington and New York.

Finally, still under development is the fifth system product group, the IGT Advantage Game Server System. According to Rogich, IGT Systems is developing a game server system that will bring downloadable, server-based games to terminals in both Class II and Class III operations.

Rogich notes that the unique system products will be available for crossover use within any of the five system families, and also will be equipped with protocol allowing them to be used with systems provided by other suppliers.

Into The Future

IGT certainly has conquered the present in terms of slot market dominance. However, the company stands at a critical juncture—and is making moves on both the game and system sides to ensure that its dominance continues into the future.

On the game side, the company is responding to players' appetites for different configurations on slots than have been

prominent in the past—notably, the penny denomination, innovative progressive configurations, and the addition of bonusing to banks of IGT slots.

According to slot development chief Kaminkow, multiline penny configurations will now be prominent not only in the new video slots, but in some traditional reel-spinners as well. IGT is using G2E to launch an entirely new group of penny video slots, such as the 40-line "Max Action," which features an expanding wild reel that multiplies all jackpots by five, and the "Carnival of Mystery," which lets the players buy reels instead of paylines, with all wins paid as scatters. There are 243 possible winning combinations per spin with five reels active. Another new game, "Hoot Loot," jacks up the bonus multipliers when players activate the maximum 20 lines. Also new, "Cleopatra II" and "Texas Tina," both offer free-spin bonuses.

On the reel-spinning side, five-reel games, such as "Double Gold," "Penny Barn" and the new version of "Elephant King," use the penny denomination to bring multiline play features to the vaunted IGT stepper slot.

Kaminkow notes IGT's game developers are pulling out all the stops to give games in the penny denomination the same entertainment value and bonus events that have caused players to flock to all the more traditional reel-spinners and video slot games. "The popularity of pennies has blurred the lines of denomination as far as categorization of players," he says. "Nowadays, a player in any denomination can be categorized as a \$5 player. They have the same worth to

the casino if they're playing a 25-line penny game at max-coin as if they're playing a \$1 three-coin game."

All of the new game features will be showcased at G2E in a typically mind-blowing array of new slots at IGT's booth. "You're going to see the broadest array of products you've ever seen from IGT, with emphasis on player trends, including low denomination, progressive integration, and bonusing," Kaminkow says.

In addition to the games themselves, the marshalling of the revamped IGT Systems is positioning the manufacturer for the future on several fronts. The penny denomination itself is taking off largely as a function of the ticket-in/ticket-out coinless play that is taking over the slot floor, thanks to IGT's EZ Pay system carving the path.

"Tickets are no longer a want-to-have on new slots; they're a must-have," comments Rogich. "Some said we were going to leap over tickets and go to the next step—smart-card systems. They were dead wrong, obviously, so now they're playing catch-up on the ticket side. Operators asked what new method would offer the best return on investment. How will it affect my bottom line? How can it help me serve my customer better and make my operation more efficient? That's why tickets won the day—they hit on all fronts."

With EZ Pay and other cashless systems allowing lower denominations, IGT Systems is concentrating on making play of all slots livelier. For instance, the bonusing modules now incorporated into the product mix of

Production Prowess

IGT's world-class slot factory combines innovation and ingenuity to create success

by Matt Ward

Two words are all that's needed to describe the philosophy that went into construction of gaming colossus International Game Technology's Reno-based slot factory eight years ago—maximum flexibility.

Add one more word—efficiency—and you capture exactly the process, retooled and perfected almost daily, that takes place in that quarter-mile long building.

The world's undisputed heavyweight champion of casino game manufacturing utilizes many of its strengths to maintain its commanding place in the ever-changing leisure gaming market. Among them are its acumen in forging lasting ties with operators, in plucking only the finest fruit from the acquisitions bushel and ability to hold its edge on innovation against its competitors. But one ingredient of IGT's continued success that cannot be overlooked is the masterful integration of quality workspace, factory layout, technology, employee comfort, safety, and, of almost utmost importance, maximum efficiency at the gaming giant's headquarters and manufacturing facility.

Built in 1996 among the burgeoning, office building sprawl of southern Reno, IGT's state-of-the-art facility is in a class of its own. It's so large inside that executives and facilities managers require access to big, red tricycles to move about the various departments. Those tricycles, which add a touch of humility in an otherwise almost intimidating environment, are among the only low-tech items to be found on the entire 77-acre campus.

On 1.1 million square feet, IGT builds more than 100,000 gaming machines a year, tailor-made for nearly every gaming jurisdiction on

Earth. And all of the work—software programming, engineering, hardware installation, cabinet lamination, graphic design, printing, marketing, testing, shipping, as well as planning, scheduling and managing the process—takes place virtually under one roof, a far cry from the days a decade ago when the company was spread out among 22 buildings in various locations in the city.

The heart of the whole facility lies smack in the middle of the plant.

On nine of 11 functioning processing lines, each U-shaped, and connected at one end to a roller-conveyor line that stretches the length of the factory floor, raw materials are delivered to game builders to the area where finished games are stacked in pockets by order number and readied for shipment. Employees complete about 55 games per production line every six-hour shift, all of it carefully scheduled in advance and executed with precision. Each game is rotated through 13 consecutive stations where a line worker completes a specific task in production or testing. Each production line is set up so that the last station on one line is next to the last station on the next line, since each uses common tools in the final assembly process. It is in the final stages where games are tested using various computerized systems to check for flaws in the installed hardware and software. Progressive jackpot signs, for example, just like those in casinos that advertise a game's ever-increasing top prize, hover above the factory floor and are used to test some games to ensure they are in working order.

The entire building and testing process is designed to be as seamless as possible.

"We can build any product on any line without stopping the process," said Quality Director Steve Sweet, who oversees many aspects of the production process.

It all starts in the adjacent receiving department, a cavernous area where IGT's suppliers deliver the raw materials of slot manufacturing—the base cabinets, motherboards, plastics, glass and much more. In one contiguous process, tons of material are trucked in each day. It is mostly stored on massive shelves that reach from floor to ceiling in 10 rows of inventory space. When planners prepare a production schedule, readying a product among the hundreds of IGT game offerings and the hundreds of varying characteristics comprising each, pickers comb the shelves armed with order forms, plucking the specific raw materials to deliver to the production line.

Not all of the finished raw material comes from inventory, though.

IGT has perhaps one of the largest graphic design departments in the world. There, employees utilize digital photography, silk-screening and a variety of other graphic design tools to create the eye-popping signage and exquisitely designed glass that encases each gaming product. The pictures that players see on the reels of a stepper slot, for example, are produced here as well as everything else, from signs advertising the denomination of a game to the actual game nameplate. Almost 1.5 million pieces of graphic art will be produced this year alone. The finished visual accomplishments are placed in large, wheeled racks and delivered to line workers when a game is readied for a production run.

In a separate department, the cabinets are readied. IGT hosts its own wood-working facility where tons of plywood are cut by specially programmed routers and readied for placement on base metal

IGT Systems will bring bonusing features to stand-alone progressive games and carousels.

Controllers linked to progressive banks will feed common bonus games to linked machines that offer several levels of progressive jackpots. Other banks of slots will be linked to one of IGT's new "Loyalty Game" themes, such as "Loot 66." On this system, a coin-in trigger sends a common bonus game to a random machine in a linked bank. The player on that machine goes on an animated cross-country adventure along the legendary Route 66, picking up "souvenirs" along the way that can be exchanged for bonus credits.

The Station Casinos properties in Las Vegas have been utilizing many of the IGT Systems bonusing features since contracting with the former Acres to implement the "Advantage" system. Matthews credits Station's management with educating players on the new bonus features. "They do a very good job at Station in on-site marketing, to show players exactly what's going on with these new systems," he says. "Acres showed officials what the system could do, and Station did a great job of educating the players."

Personalized bonuses and marketing messages also are part of the new IGT Systems product mix. One of the featured products from IGT Systems at G2E will be "NextGen" screens, which are small color LCD touch-screens linked to a casino's player tracking and accounting system. Casinos can use the screens, imbedded in any or all slots on the floor, for marketing functions such as downloading promotional credits, sending personalized messages, or letting players make their own comp reservations through touch-screen application on the five-inch screen.

The NextGen screens are showing their worth at the Atlantis in Reno, where they have been installed throughout the casino. "Every machine in the place has this screen through which casino officials can literally talk to customers," Rogich says. "The screens integrate system functionality such as room reservations, rewarding points, or showing customers their points in the slot club. It's a great little device. That's the kind of thing that sets you apart in the systems world."

New Frontiers

The ramping up of IGT's systems division is meant to take advantage not only of new ways of delivering bonuses and marketing features in traditional U.S. casinos, but in new markets opening up around the world.

In the U.S., recent court decisions affirming the legality of Class II electronic bingo games using traditional slot game content have opened up the world of Class II gaming to all of the traditional slot manufacturers. Matthews says IGT is ready to tackle those burgeoning markets with Class II versions of its most popular games.



"In the case of Class II, regulatory restrictions have prevented us from being very active in that market," Matthews says. "The court cases have had a major role in opening that market up. But Class II is a subset of the bigger phenomenon of central determination, where the system determines the outcome of games rather than the RNG in an individual terminal. By doing that, it means you can be operating a video lottery in New York, you can be operating charitable gaming in Alabama, you can operate video pull-tabs in Washington, and you can be operating bingo in Oklahoma and Florida—and yet, the experience for the player is very similar to the gaming devices we've provided in traditional casinos."

Under the direction IGT VP Ali Saffari, the IGT Advantage Class II and IGT Advantage Central Determination Systems have been developed to complement the IGT Class II and Central Determination machines and games. The systems will be used in the display of these games at G2E. The systems were designed to work seamlessly with the various Advantage products, including EZ Pay, Bonus and others.

The next frontier in game delivery is downloadable, server-based gaming—the delivery of slot game content from a central server to slots which function purely as end terminals. With the first server-based system already approved by Gaming Labs International, Matthews says IGT will be ready as other regulatory bodies begin to approve server-based gaming.

"The first thing we did in that area was to develop a central determination system," Matthews says. "It is deployed in Alabama; it's recently been deployed in Oklahoma. So we have the wherewithal from a central-system standpoint to develop that type of delivery system. The server-based environment is going to change gaming, but once you get past the technology requirements of delivering the games, you get back to the business of creating the games—and the realization that games matter."

New frontiers also exist in IGT's cus-

tomers each week, depending on the game orders' specifications. Some cabinets are brushed with a blue, non-toxic glue where polished metal sheets, also of varying color and size, are affixed. The cabinets are then sent to the factory floor.

The cabinet housing—once it's taken out of inventory and sent to the woodworking and lamination area—rests on a black pallet that is equipped with a transmitter. The transmitter allows factory managers to monitor, via wireless technology, the speed at which the process is running from start to finish. It is also a tracking device that allows managers to detect inefficiencies or snags in the production line. The slot machine never leaves the pallet until the game is ready for shipment and the pallet is accounted for.

"One of the challenges we have is that we build to order, not to stock. We had to design around the process, giving us maximum flexibility. We have to have the ability to change anything at anytime during the process. Our customers make lots of changes," Sweet added, explaining how the pallets allow them to track orders and make those changes when necessary.

The shipping department, the last in line after receiving and production, is where the finished product is bundled and trucked out to customers. Some games are held here until the entire order is filled. Depending on the gaming jurisdiction, some machines are packaged differently. Some jurisdictions require the game's computer brain be shipped separately to regulators, who then forward the critical component to IGT's customer. Others, mostly international destinations, want the games shipped encased in a thick foam for protection.

When company executives planned the Reno factory and headquarters, future expansion was considered. A few mezzanines have already been added and a new 123,000-square-foot expansion is under construction. Offices and workspace for the company's various engineers will be housed at the new unit when it opens. No one was quite sure, though, how well the factory, offices and production line were going to work together. Sweet said had the production process required a major overhaul just four years after implementation, it would still be a success. And now, eight years later, Sweet and others believe they've hit a jackpot with what they've accomplished.

"Building in the flexibility was the key, because we are a changing industry," Sweet said. "We have no regrets and have done nothing different in eight years, other than expanding a few times."

Besides housing the successful and intricate production process, IGT's headquarters offers other unique features and stylish corporate amenities. The company takes care of workers like they were all one big family.

More than 2,600 employees work at the Reno factory. Another 2,900 are scattered at various locations around the world.

IGT was one of the first companies in Nevada to open a pre-school/daycare for employees' children right there on the campus. There's a comfortable cafe-style restaurant too, and a complete gym with three full-time trainers, as well as a massage therapist who comes around to work out tension in the muscles of factory line personnel.

The facility has space for employee training, community college courses and one area for customers that is used to design their slot floor or train their employees before the games even leave the area.

All of these achievements—excellent facilities, a commitment to the surrounding community and employee fidelity—have made IGT what it is today and are sure to keep IGT on top through the next decade as well.

tomers base, from consolidation on the operational side to new markets opening up across the globe. Baker says dealing with these new operational entities will put into play IGT's strongest asset—it's people. "There are many different markets around the world, and each one has a different situation," he says. "But having the best people is still your best bet in dealing with each situation effectively."

And the situations are many as markets expand around the world. "A lot of operators are building in Macau, and that's going to be good for our business and good for us," Baker says. "The government in China seems to be relaxing restrictions on the ability of the middle class to move around and do things, so you may see more people wanting to come to Macau, and it's not inconceivable you could see a second Macau—a second area where gaming resorts may be viable. Russia's a big market, but it's probably the most competitive market in the world."

Baker says that while IGT has stayed

away from the Russian market because of regulatory restrictions in the U.S., those restrictions have been resolved, clearing the way for IGT to play a bigger role in Russia.

Markets such as Japan, South America, Canada, South Africa and all of Europe each propose unique challenges, he adds, but IGT is dealing with each challenge and doing what it does best—delivering games.

Baker offers the same remedy for dealing with the changing face of casino operations, as mergers create new gaming behemoths. "We'll continue to give them hopefully better choices than they have from other places, and if we can do that, I think they'll do more business with us than anybody else," he says. "I think our relationship is such that we get along with the operators, and we've got a good, respectful, healthy business environment."

"Ultimately, our business is based on two things—creating games and delivering those games to the consumer," adds Matthews. "Obviously, we're confident our games will be preferred." □

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GLOBAL GAMES 2004

The slot industry spreads its wing

by Frank DeCaro

The Global Gaming Expo in Las Vegas this month provides a forum for gaming vendors from around the world to display their wares in all areas of casino supply.

But despite all the table equipment, security systems, cash-handling innovations and other new products on display at the Las Vegas Convention Center, a major portion of attendees' attention typically turns to one area—the new slot games.

Slots account for more than two-thirds of the gaming revenue generated by a given casino, so this obviously vital area rightly gets the lion's share of the attention at G2E every year. And every year, the world's slot manufacturers seem to top their offerings of the previous show.

This year is no different. At G2E, you will witness a number of trends in technology, game style, and wagering setups that blaze new trails in the slot segment. For the past few years, most of the manufacturers developed advanced video platforms to offer complete functionality for offerings such as ticket-in/ticket-out coinless play and multiple player features. This year, the slot-makers exploit their new technological prowess with a showcase of new products that push the limits of what the slot floor will look like in the future.

The low-denomination craze spawned by the coin-free revolution manifests itself in an array of penny-denomination innovations, including wide-area penny progressives, linked bonus games, and stepper slots with four-reel and five-reel configurations. Hybrid games continue to blur the lines between reels and video, as several manufacturers release new

reel-spinning lines with special video features borrowed from the multiline genre.

Other manufacturers are going back to basics with a new wave of traditional reel-spinners, many including arcade-style mechanical bonus slots that grab the attention of players from across the floor.

The next wave of casino technology will be displayed as well, as several manufacturers have developed systems and computer platforms to accommodate server-based, downloadable gaming, which recently was validated by its first regulatory approval when Cyberview's system received the approval of Gaming Laboratories International.

But mostly, attendees will be blown away by the games themselves. New bonus delivery setups from Bally, IGT, Aristocrat, WMS Gaming, Konami, Atronic and other slot-makers use everything from advanced computer platforms to Internet technology to give players slot experiences the likes of which have never before been seen. Companies such as Sigma, Mikohn, Novomatic and A.C. Coin are emphasizing new lines of games that exploit their traditional strengths.

There is much that is new in the slot segment this year, and much that is traditional as well. New frontiers are being carved out for the slot floor as manufacturers continue to make great strides in functionality and as popular ideas from the past reemerge with a new sparkle.

On the following pages are highlights from 10 of the industry's top manufacturers that will host large displays at G2E. For the low-down about slot leader IGT, see this issue's cover story. Despite the length of this special report, we've only scratched the surface.

So use this as your guide to the thousands of new games on display at G2E...and let the games begin!

C. Coin and Slot: Reel Renaissance

A.C. Coin gets back to basics with high-earning, entertaining reel-spinners

A.C. Coin and Slot has an absolute hit on its hands this year—a game that is doubling and tripling the house average for per-machine win everywhere it is placed. Players are flocking to the game, eating up the frequent bonus events to make it one of the stars of the slot floor.

This, in itself, is not a rarity—A.C. Coin has had many hit games since the Pleasantville, New Jersey-based company began creating its own proprietary bonus games to augment its longtime role as slot leader IGT's exclusive distributor in Atlantic City and the Caribbean. What is unique about this game's monster-hit status is that it is not a high-profile, branded video slot or multi-site progressive.

The game is Triple Stars Slotto, which adds A.C. Coin's patented lottery-style sphere of bonus balls to the most basic of reel-spinners, a straight multiplier with few bells or whistles outside of the bonus game.

Triple Stars is the first Slotto game to be placed on IGT's state-of-the-art S2000 stepper platform, and for A.C. Coin, it signals what Jason Seelig, executive vice president of sales and marketing, says is a new effort to "attack the reel market" with a host of basic, high-earning games that are easy for the player to understand and fun for them to play.

"There is a widespread belief that if a new game is not video, it can't compete," Seelig says. "Our philosophy is that a very strong reel game builds a loyal player base—the kind of loyal following you don't get with a lot of the video product out there. We've had a history of producing high-earning reel games, and Triple Stars is huge for us; it is absolutely incredible in its performance, with a national average of two and a half to three and a half times the house average in earnings. Triple Stars is out-earning any video slot."

The reason, he says, is a strong basic math program with a frequent, easy-to-

understand bonus round. The base game is a five-line, five-coin reel-spinner, with multiple "7" line combinations and a bonus round that occurs every 46 handle-pulls if all the paylines are active.

When three bonus symbols land on an active payline, Slotto balls whirl around in the lottery-style sphere until one drops into a chamber to indicate the player's bonus, ranging from 20 coins to 1,000 coins. "The player knows—and understands what's going on," says Seelig.

He adds that even though Triple Stars is a pure multiplier, the player can get to the bonus round even if wagering a single coin to activate only the center payline. Most players are wagering the maximum five coins in the field. "Players can see that you're getting to the bonus more frequently if all five lines are played, so they're going to bet max coin," he says.

Again, it is a function of the philosophy of A.C. Coin's chief game developer, Executive Vice President Jerry Seelig: "Don't out-think the player."

"There are too many games out there in which people don't know why they won, or more importantly, don't know why they lost, which causes a perception that the game is too tight," says Jerry Seelig. "We've found there is a strong following for basic, good games which people easily understand. A lot of our development efforts have followed along those lines."

Entertainment

Of course, "easy to understand" does not mean the

bonus games are anything but entertaining. At this year's G2E, A.C. Coin is introducing several new top-box bonus games on S2000 slots, plus new entries in previously successful lines.

Games previewed last year such as "Super Bonus Hot Dog Deluxe" and "Popcorn Slotto" were launched in casinos in September. Both of those games have eye-catching top box bonus games—one a mock hot dog stand with wiener characters bobbing up and down to the tune of "Hot Diggity Dog," the other, a Slotto chamber that looks like an old-time popcorn popper.

New top-box bonus games this year also follow the formula of eye-catching, clever bonus games on top of classic S2000 games.

"Campin' Buddies" employs the same style top-box as Hot Dogs, with comical campers substituting for the wieners, bobbing up and down to the tune of "Dueling Banjos." When the bonus is triggered, they stop dancing and one reveals the bonus. In each bonus event, the computer randomly selects a number of awards up to four cumulative bonus amounts (this builds anticipation as the player waits to see whether or not the "Banjos" song starts again.)

"Here Comes the Ice Cream Man" features an ice cream truck in the top box, with a spinning reel



strip
stopping
on either ice
cream treats or
the ice cream man.

There are different
bonus values for each, but
the ice cream man keeps the
bonus going for additional spins.

"The Big Game Show Bonus" features
a retro game show theme played out in
the top box, with flashing lights stopping
on credit awards plus "Bonus Ball Drops."
A mechanism drops bonus balls for addi-
tional credit amounts, or a "devil" ball,
which indicates zero. However, if three of
the devil balls fall during the bonus
round, the player gets the top prize.

One of the more elaborate top-box
games in this year's lineup is a masterful
sequel to A.C. Coin's legendary "Empire"
game, called "King Kong." As in the origi-
nal Empire, the top box is a mockup of
the Empire State Building, with a mini-
ature figurine of King Kong (the character
was an anonymous gorilla in the first
one—this time he's the real deal,) climbing
up the side during the bonus round.

In King Kong, the bonus
is awarded when the fig-
urine reaches the top floor.
However, there is an extra
twist here—a video fourth
reel in the base reel-spin-
ning slot. When an
"advance" symbol lands in
the primary game, the
fourth reel animates to dis-
play the number of floors
Kong will traverse. These
advance symbols cause
Kong to climb up the
building; if enough sym-
bols accumulate for him
to reach the top, a bonus
is awarded. Alternatively, a
special symbol on the third
reel at max coin sends
Kong right to the top for
an instant bonus. This
game has great visuals, and
a highly entertaining (and
yes, easy to understand)
bonus sequence. (Jerry
Seelig calls it "Empire
on steroids.")



Another top-
box game that will be
hard to miss on the slot
floor is "Big Spin Slotto,"
which combines IGT's
patented bonus wheel with
the Slotto sphere into a
spectacular bonus sequence.
The Slotto balls whirl
around in a chamber in the
center of the top box to
determine the bonus
value, and the wheel sur-
rounding the chamber
then spins to a bonus mul-
tiplier value of 1X, 2X, 3X,
4X, 5X or 10X.

Other new games take
maximum advantage of
A.C. Coin's in-house sig-
nage shop, with sculpted
figurine toppers, and even
animatronics. "Merlin's
Magic" features an anima-
tronic magician in the top
box that talks with the
player as he picks the
player's bonus out of a
cauldron. "Pirates of
Bonus Island" features an
animatronic skull as the

topper, which talks to players as they
pass by. The main bonus in that
game is a scrolling treasure map—a
physical map which scrolls
inside the top box until the
player's bonus "treasure" is
found. The treasure is a
credit amount or a multi-
plier—if the multiplier is
found, the map scrolls
again to a new credit
amount, which is multi-
plied by the first result. If
another multiplier is
found, the top award is
multiplied by both.

Jason Seelig says the
big release of this year's
show—it will be released
for sale to coincide with
G2E—is "Bewitched The
Nosy Neighbor," a game
that was previewed last year
and subsequently refined
and improved. The nine-
line video slot is a sequel to
one of the most successful
partnerships between A.C.
Coin and IGT, the original
"Bewitched," based on the
1960s sitcom. The "Nosy
Neighbor" concentrates on



Bewitched characters Abner
and Gladys Kravitz, the
neighbors of Samantha
Stevens, the star witch. The
bonus round combines IGT's
second-screen bonus event—
in this case, an animated
sequence depicting a battle
between the Kravitzes—with
one of A.C. Coin's trademark
figurine top-box events: a
miniature figure of
Samantha "flies" up the
face of the top box, stop-
ping next to one of sev-
eral images of Gladys
Kravitz displaying the
player's bonus.

While that game is a
very prominent video offer-
ing, the vast majority of
A.C. Coin's offerings follow
the basic reel-spinning for-
mat with a simple-but-ent-
ertaining bonus. According to
Jason Seelig, many of the
base games use an older ver-
sion of IGT's Double
Diamond, with the original
program math. "A lot of our
games go back to an old-
school math program," he says.

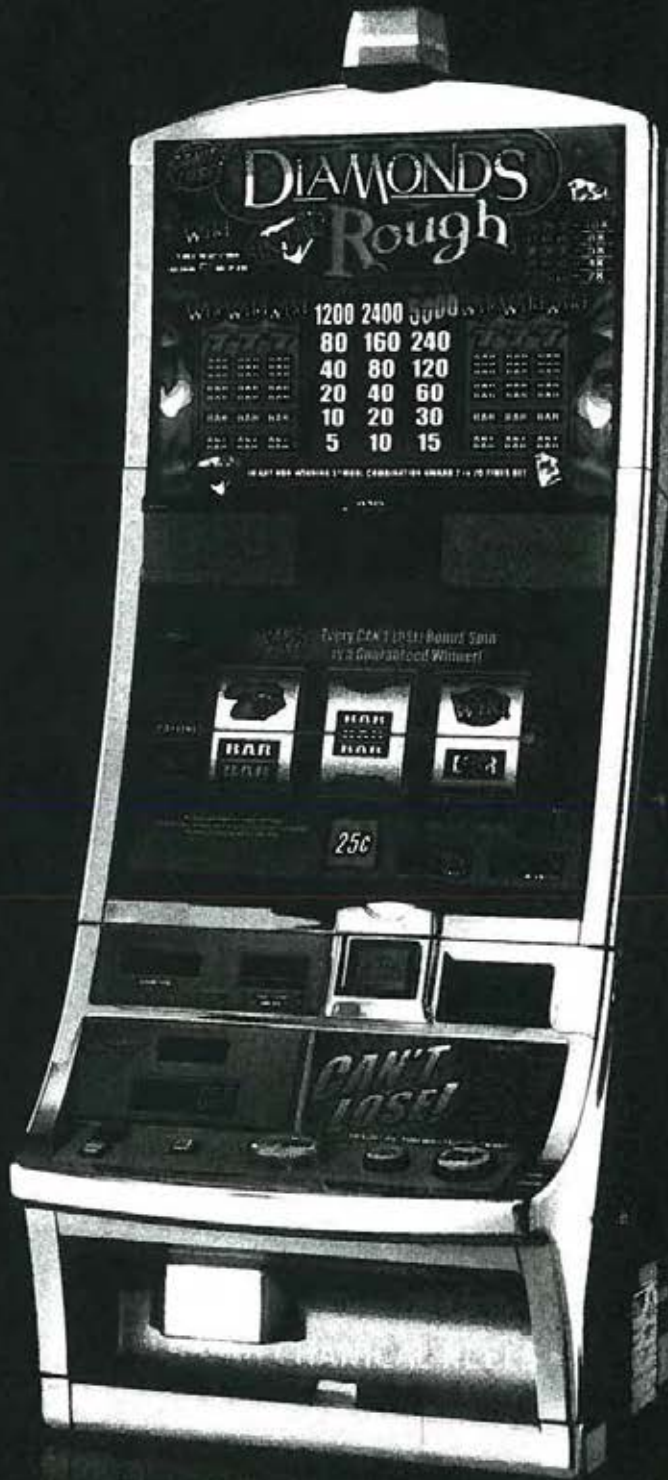
He adds, though, that the old-school
math is worked into the S2000 platform,
which will provide full functionality for all
ticket-in/ticket-out and other peripherals,
and will allow for quick conversions to
new games if and when that time comes
for an operator. "One of the problems we
saw previously was that if the numbers
started to fall off on a game, and the cus-
tomer wanted to convert it to a new
game, it would take a long time from con-
tract to delivery," he says. Now, everything
is a conversion; we could convert an entire
floor in a week. Every S2000 game we
have is interchangeable."

For the first time, A.C. Coin is offering
operators a group of new games available
for sale right at the show. This year cus-
tomers will be able to place orders for Big
Spin Slotto, Nosy Neighbor and Triple
Stars right at the G2E show. "This is the
first time ever that we're going to the show
with new games approved and ready to
place," says Jason Seelig.

But overall, the theme of the show for
A.C. Coin will be a rediscovery of the
value of the classic reel-spinner—with a
simple but exciting bonus game added to
the top. It's what the company does best,
and in that area, says Jerry Seelig, "this is
our year to shine." □

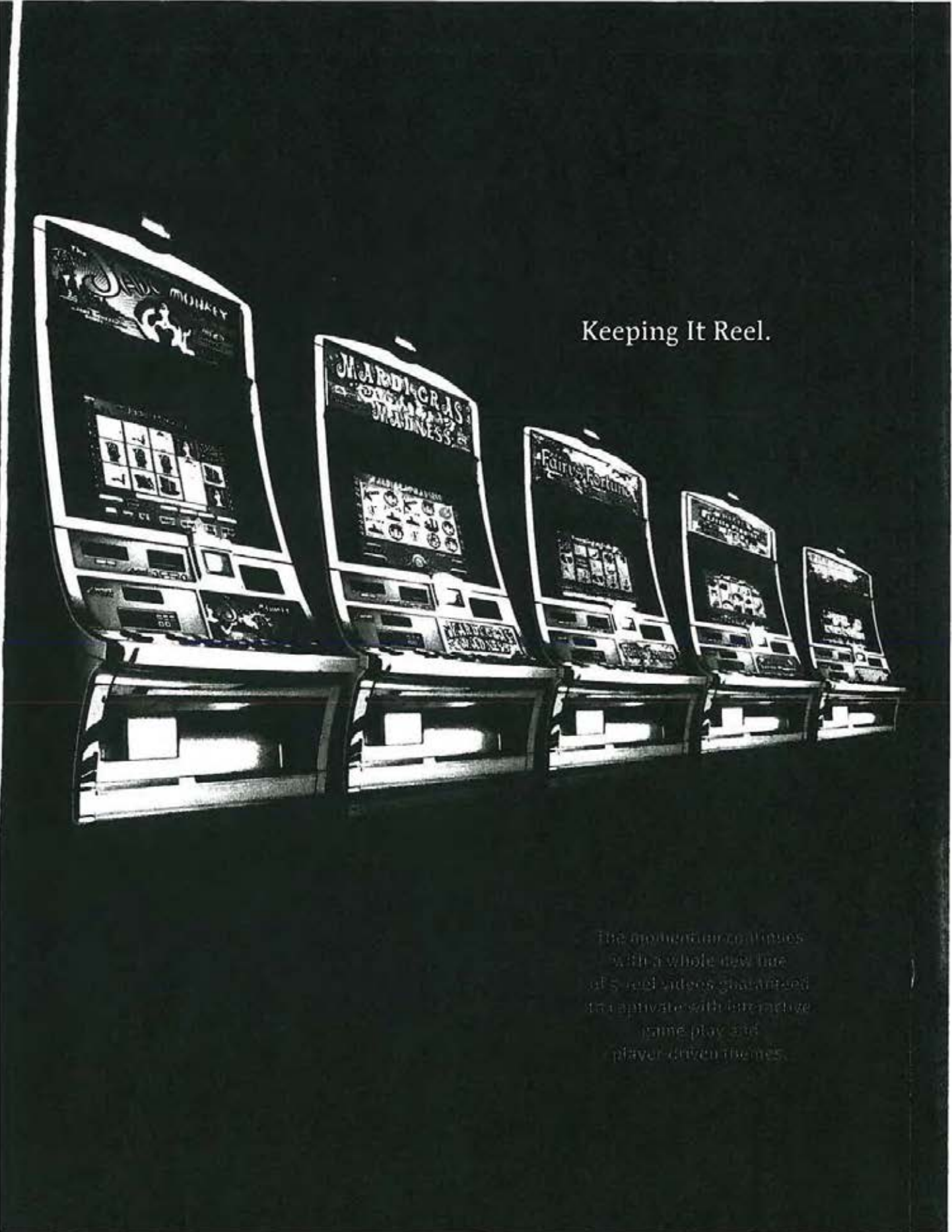
Game Plan.





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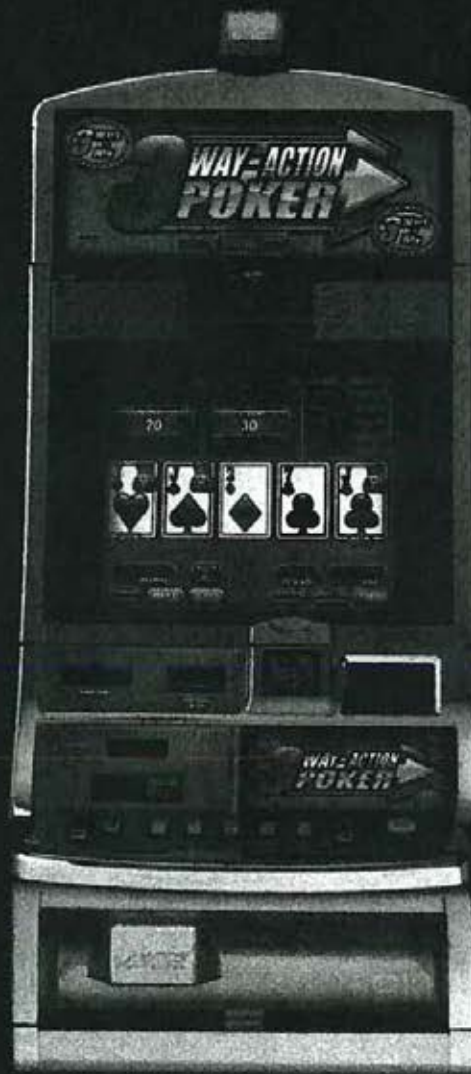
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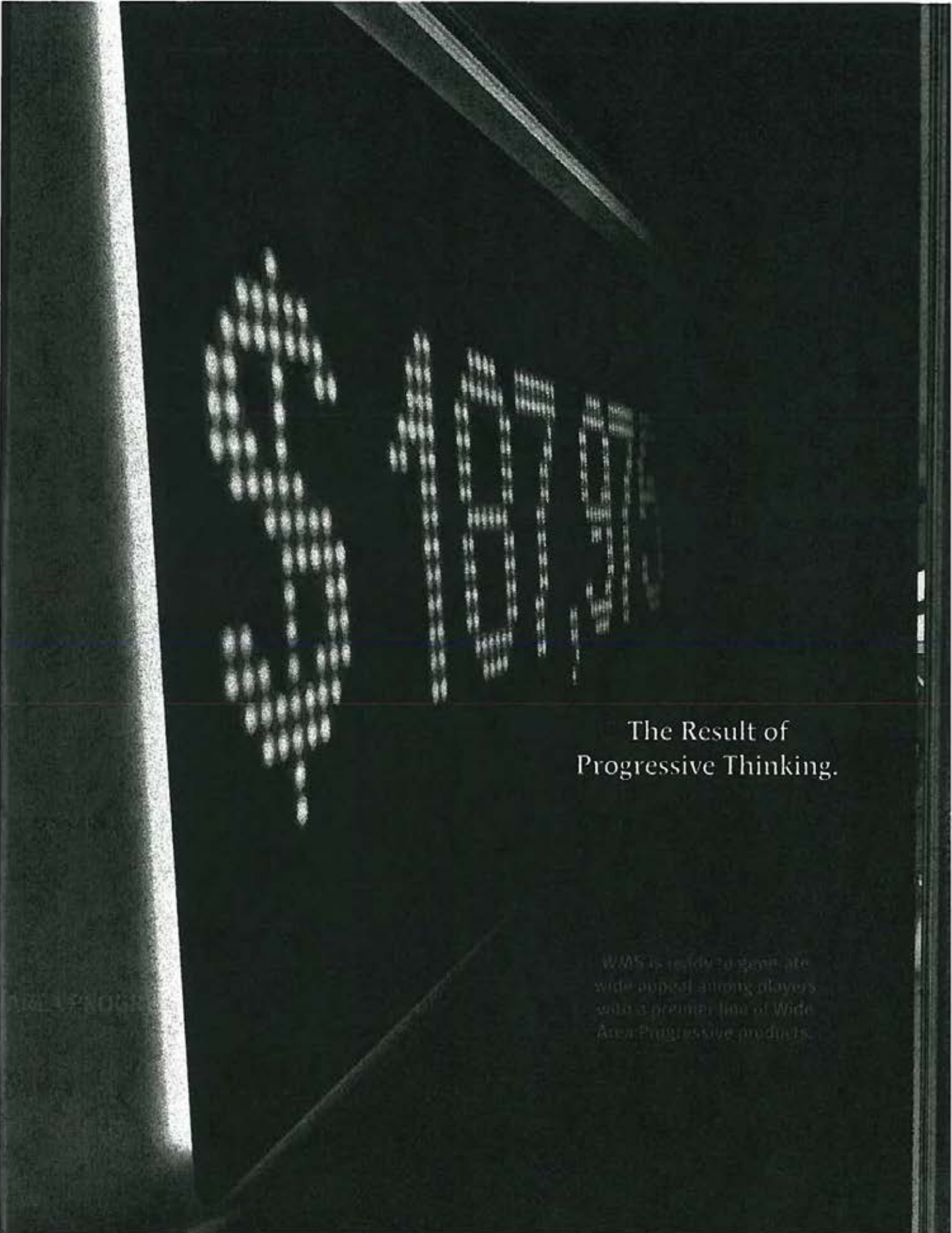


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Aristocrat Technologies:

King of Low-Denom

Aristocrat attacks the low-denomination market while rolling out its first new stepper series

Aristocrat Technologies has spent the past few years positioning itself for the future. With an amazing array of new products ready to roll out at G2E, the manufacturer this year sets out to prove that the future is already here.

For Aristocrat, that future lies in the casino industry's newfound love of the lower denominations. Driven by the ticket-in/ticket-out revolution, casinos have embraced the penny slot, with multiple paylines and super-high hit frequencies providing players an entertaining experience in games that have the highest hold percentages on the floor.

Using its high-powered MKVI video platform, Aristocrat has marshaled its R&D forces to achieve dominance of the low denominations with a collection of patented reel setups, bonusing concepts and line configurations. The "Reel Power" series enables players to purchase reels instead of paylines, with all wins paid as scatters to form a remarkable number of possible jackpots on any given spin. The "Bonus Bank" series jacks up coin-in by offering a selection of video bonus events for an extra "ante" wager. "Hyperlink" progressives use a coin-in trigger to send a common bonus event to any machine in a linked bank, resulting in one of four levels of a guaranteed progressive jackpot.

This year, Aristocrat applies a patent for the first time to a payline configuration—a 50-line setup that results in unprecedented potential for wins on any given spin.

All of these features are designed to drive low-denomination play, with hundreds of credits wagered per spin resulting in average bets on penny slots that, in many cases, approach the levels of high-denomination reel-spinners.

Even while exploiting the new popularity of pennies (the theme at the manufacturer's G2E booth will be "Lots and Lots of Penny Slots"), Aristocrat this year capitalizes, for the first time, on the enduring love of casino players for the traditional reel-spinning slot. The company brought virtual-reel stepper slot pioneer Gary Harris in as a consultant in the creation of its first ground-up stepper slot line, to be called the "SCX Stepper Series."

Additionally, the manufacturer will showcase a revamped wide-area progressive network and new games in its nascent video poker product group.

Aristocrat is covering all its bases in a bid to rise to the top of the slot market as a full-service manufacturer. "We are building on all of our product categories," says Marketing VP Kent Young, adding that the low denomination category will be its springboard. "The industry is quickly embracing low-denom games, but we were ahead of the curve with a product portfolio that's over 70 percent one-cent and two-cent games."

Fifty Lines

At the National Indian Gaming Association trade show earlier this year, Aristocrat introduced its first 25-line penny video slots in the MKVI series. The payline configuration on 25-line games "Queen of Sheba" and "Wild Goose" result in a remarkable number of possible winning combinations on any given spin.

At G2E, the manufacturer doubles those combinations, officially launching its first games with 50 paylines. The payline setup for the 50-line games is actually patented a mind-boggling setup of lines, some actually comprised of non-adjacent symbols. To accommodate all those paylines, the 50-line games actually have an extra row of symbols four symbols by five reels.

In another innovation, the betting configuration amounts to what is the first fractional denomination a penny activates two lines, making these slots, in effect, half-penny games.

"Aristocrat is the only manufacturer who can patent paylines," comments Young.

The first two games in the 50-line configuration are called "50 Lions," with a king-of-the-jungle theme; and "Star Drifter," with a space theme. The games themselves are relatively simple, with wild symbols in the primary games and free-spin bonus rounds. The games are all about math that encourages repeat play, notes Young. For instance, in the free-spin round of 50 Lions, a wild symbol is added to each reel with each subsequent spin. This results in huge credit awards, designed to keep players in their seats and keep them coming back for more.

The 25-line and 50-line games will be accompanied at G2E by launches of more than a dozen other stand-alone MKVI slots, in configurations ranging from a single payline to games with three, five, 15 and 20 paylines and titles including "Bowling Night," "Frog Game," "Nerds Gone Wild" and "Shore Thing."

Super Reel Power and Bonus Bank

Aristocrat this year expands the groundbreaking Reel Power and Bonus Bank concepts, both of which have been driving average wagers skyward on penny games for the past year.

More games will be introduced in the standard Reel Power format, in which players pay to activate each reel, creating an entire game of scatter pays and a multitude of winning combinations.

While the company is introducing a new group of standard Reel Power video slots, it is also introducing a juiced-up version of the series called "Super Reel Power." The Asian-themed "Asian Princess" and "The Game With No Name," cleverly themed along the lines of the old Spaghetti Westerns of the 1960s, both follow the keep-it-simple credo of the other new MKVI games, in that the bonus events are free spins, and the primary game is spiced up with a wild symbol that multiplies the jackpot by two, three or four.

But an additional ante wager transforms the display and the math of the Super Reel Power Games. With the extra wager, the pay window goes from a three-by-five configuration three symbols on each of the five reels to a five-by-five configuration. The two





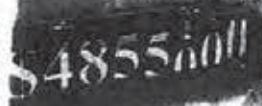
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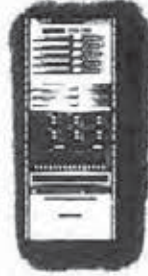
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extra rows of symbols, combined with the Reel Power feature in which every jackpot is paid as a scatter win (adjacent symbols form winning combinations regardless of the reel or row on which they land), result in more than 2,000 possible winning combinations on any single spin.

"The idea is to raise the stake," says Young. It is this same idea, he says, that has drawn operators to the Bonus Bank multi-line video slots. Aristocrat introduced Bonus Bank with "Mr. Cashman," and followed it up last year with "Li'l Lucy." In each of these series of games, standard Aristocrat base games offer the player the chance to qualify for a choice from five bonus games common to all the various base games by wagering a 10-coin "ante" bet in addition to the normal line bet required to activate all the paylines.

The bonus games carry a common theme hosted by the Mr. Cashman coin character in one case or the Li'l Lucy she-devil character in the other—and all are simple pick-a-tile games, short animated sequences resulting in a bonus win, or free-spin rounds.

At G2E, Aristocrat introduces its third Bonus Bank game, called "Money Honey." The common bonus rounds are hosted by a "Lady Luck" character, and include pick-a-tile games "Match a Prize," "Build A Prize" and "Barrel Prize," plus a free-spin round. "However, what makes Money Honey different is that it is the first Bonus Bank concept with Reel Power base games," says Young. "We are combining two popular concepts." The base games for Money Honey feature a four-by-five configuration, with players purchasing reels and all wins paid as scatters. An extra twist to the common bonus round: Players can choose between the four bonus games when the bonus is triggered, instead of having the computer choose for them as in previous Bonus Bank games.

Progressive Power

Aristocrat is forging new ground this year in the area of progressives, mixing and matching all of its

patented payline and bonus features from the other series to offer new games in stand-alone progressives, in the popular Hyperlink series, and in a new multi-site progressive link.

Aristocrat's new progressive games bring the new payline configurations, Bonus Bank, Power Reel and Hyperlink concepts together in various combinations to create truly unique progressive games.

There will be two stand-alone progressive video slots launched at G2E that utilize the 25-line configuration. "Big Ben" wraps its theme around the famous London clock tower with Royal Guardsmen wild symbols and a progressive jackpot won through a second-screen bonus game. (Twelve chimes on Big Ben's clock win the progressive.) "Dinosaur," in which the progressive is won through a standard line combination, features wild symbols and a free spin bonus round. An interesting twist: After the bonus free-spin round, in which all jackpots are tripled, the player has the option of keeping his accumulated bonus or trading it for a "Mystery Prize."

Aristocrat is launching three new progressive games for its Hyperlink multiple progressive jackpot system, each including a different one of its patented game features. A new branded progressive game called "Pele's Golden Goals," featuring the international soccer star in a second-screen bonus event, places the 50-line base game into the Hyperlink system. As with other Hyperlink games, the progressive jackpot is won through the common bonus round.

The second-screen event is triggered randomly through normal game play, transforming the screen into a scene of a soccer field from Pele's perspective as he prepares to kick for a goal. The player is awarded five "penalty kicks," and is prompted to choose one of six possible directions to kick the soccer ball at the goal. Each goal that strikes home adds to a jackpot score—that score determines which of the four levels of progressive jackpots the player wins. A comical addition to the round—if a

"streaker" runs buck-naked across the field, a bonus of 100 points is added to the jackpot score.

"Loco Loot" is a dual-monitor game that brings the Reel Power base game into the Hyperlink environment. (The top video monitor displays the four progressive jackpots, and serves as an attract mode for the game.) It features a four-by-four pay window setup, with players purchasing reels and all wins paid as scatters, with the common Hyperlink bonus triggered randomly through coin-in levels on the bank of games.

Finally, another branded game, "Zorro," combines the Mr. Cashman Bonus Bank game with the first multi-site progressive version of the Hyperlink system. The link will initially be available with two Zorro base games, in which the wild "Z" symbol transforms all symbols in a reel into wild symbols whenever it lands (accompanied by some great animation). With the extra ante wager, the player qualifies for a choice between four Mr. Cashman bonus games. One intriguing twist is the free-game bonus: the player actually chooses the number of spins and the multiplier a few spins with a high multiplier or more spins with a lower multiplier.

As with other Hyperlink games, the outcome of the bonus round determines which of the four levels of progressive jackpot is won. However, on this one, the top-level jackpot is a multi-site progressive, million-dollar-plus prize. "This is similar to our 'Millioni\$er' game, in that people feel they have a shot at a life-changing jackpot every time," says Young. "But where Millioni\$er offers a static top \$1 million prize, this has the functionality of a multi-site progressive."

The best part of all the progressive offerings from the standpoint of Aristocrat's strategy is that they are all available in penny and 2-cent denominations.

Poker and Steppers

Aristocrat's G2E booth this year will include some reel-spinning stepper slots and video poker games based on formats inherited from the former CDS Gaming, such as the Deluxe Stepper series and the specialty poker game Reel Deal, which includes a bonus set of reels in the top box in addition to the standard video poker game.

However, the big news in both genres this year is the new game lines. Aristocrat will display several progressive video poker games that have been approved recently, plus new games such as "Lucky Suit Poker," and a version of "Card Sharks," the video poker game released last year, that incorporates a Bonus Bank ante-bet feature and a Hyperlink progressive bonus game.

The new SCX Stepper series, Aristocrat's first ground-up reel-spinning line, includes a wealth of reel-spinners designed in partner-



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Atronic:

Global Expertise

Atronic brings its three worldwide R&D centers to bear for its largest G2E display ever

Atronic has been preparing for this year's package of games for years. Strategic reorganizations of R&D centers, the consolidation of the company's system division and the refinement of unique features in several game formats over the past three years all come together this fall in what is the manufacturer's most ambitious and extensive collection of new product launches to date.

The strategic moves involve both the organization of the global slot manufacturer and the way its diverse groups develop and deliver product. A small slot manufacturer based in Austria when it was purchased by Germany's Gauselmann Group in 1993, the manufacturer is now split into four distinct divisions: Atronic International, based in Lubbecke, Germany; Atronic Australia, based in Melbourne; Atronic Americas, based in Scottsdale, Arizona; and Atronic Systems, also based in Scottsdale.

The company has since established research and development centers in Scottsdale, Melbourne, and Graz, Austria (the site of Atronic International's main manufacturing plant).

More important than the restructuring of Atronic, though, is how the four divisions and various R&D groups have worked together in creating a formidable lineup of products.

"This year is the culmination of all of the strategic moves within Atronic," says Jason Stage, who heads up the Atronic Americas R&D group as game development manager. "This year's G2E is the first show in which we will display products from all three R&D centers throughout the world."

Stage adds this is the first year games from Atronic's U.S. division are being pro-

duced from concept to regulatory submission and assembly in the Scottsdale headquarters (the American division relied on the Austria facility for assembly in the past), and the first year the entire Atronic Systems division is under one roof.

"This is all part of our continued investment in the North American market," Stage says. "We are combining our global expertise with a local, North American focus at Atronic Americas. We are able to pick and choose the concepts that are working best around the world."

The Atronic products on display this year are the result of development at all three R&D centers, and the focus will be on the product groups that have had the most success around the world.

Heading that list is "e-motion," the product group introduced two years ago featuring a radically designed, ergonomic cabinet and an advanced video platform the manufacturer called "Hi(!)bility." The platform and cabinet are now marketed as one under the "e-motion" brand, and the suite of e-motion games has grown along with the popularity of the slot format itself.

Stage says Atronic will still support games in the standard "Cashline" series, and in fact will introduce many new Cashline games this year. However, e-motion has become Atronic's premier slot line. He says players around the world have flocked to the games because of the platform's functionality, the dual-screen setup, and the comfort offered by the height-adjustable cabinet.

"We knew we were bringing a premier product line to market with e-motion,"

Stage says. "There has been great acceptance in the market of the platform and the cabinet. For instance, the game 'Atlantica' has generated double the revenue



Continued from page 40

ship with Harris, who, while at Universal during the 1980s, was responsible for combining the Telnaus virtual reel system with a stepper motor into the industry's first truly reliable electronic, RNG-based reel-spinning slots. According to Harris, while the SCX stepper games are traditional in terms of style they are mostly three-reel, three-coin buy-a-pay games—the math models used in creating the games are completely new.

"We developed this entire line to be like no other games in the market," Harris says. "We used 20 math models. There are only four or five math models currently in the market."

The various math models manifest themselves in the way the bonus features work on the stepper games. For instance, all of the games have a fourth video bonus reel, but instead of a straight credit amount or multiplier tied to a winning combination, it functions as a random mystery award, using features popular in Aristocrat's video slots. "The bonus reel award is a random selection with no input from the regular game," Harris explains. "It is independent of the three-reel game, and it creates another game a number of free spins at a multiple, for instance."

Another random feature cropping up on the bonus-reel video display is initiation of a "Hot Streak" mode for the stepper game a set number of spins during which all pays are doubled. There also are multiline versions of the stepper games—on those, the Hot Streak mode applies to one payline.

Some of the new stepper games also include a re-spin feature, in which certain combinations re-spin once for a larger award.

The SCX Stepper series also includes a line of progressive games, including three versions of a multi-site progressive slot called "Looney 7s." The base game uses the Reel Power concept of purchasing reels, with all symbols visible in the pay window applying to winning combinations. The top box features a completely separate three-reel bonus game, triggered randomly and completely independent of the base game.

Harris says Aristocrat is targeting the dollar player with its first suite of SCX Stepper games. "After we get the dollar player, we'll go after quarters," he says. "This is a completely new global positioning for Aristocrat."

While targeting the dollar players with its new stepper line, Aristocrat plans to continue its attack on the low-denomination market by bringing all its innovations to bear in adding new dimensions to the multiline video slot. And to the slot floor in general. □



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as an e-motion game as the same game in the Cashline format.

"Operators love the dual-screen setup because it offers ease of conversion. For our game developers, the dual screen provides a nice palate on which to paint. Atronic has always been known for innovative graphics; this format has allowed us to recapture that reputation."

Stage says Atronic has been concentrating on increasing the amount of game content available in the e-motion platform, which is either approved or close to approval in all major gaming jurisdictions.

Cash Fever

The star of this year's show in the e-motion format, though, promises to be "Cash Fever," a four-level progressive link in which several base games are linked to a common bonus round, played out on the top monitor of each individual game.

The system is set up as a property-specific progressive link a typical setup of progressive amounts would be resets of \$100, \$200, \$500 and \$1,000 for the four progressive prizes. The top box of each game displays a thermometer with arrows point-

ing from bonus win meters on the left, through the mercury to the four jackpot displays to the right.

The bonus jackpot system is set up to encourage maximum wagers. Although players reach the bonus round—and a guaranteed progressive prize—even by wagering a single coin, increased bets lead to the higher jackpot levels. When the bonus is initiated, the main game screen transforms to a free-spin round with a totally different symbol set than the primary game—it is made up of different cash symbols. As the free spins progress, accumulated credits appear on the win meters. When the total credits pass a threshold, the mercury in the Cash Fever thermometer rises to the next jackpot level.

The hook encouraging max coin is that the winnings in the free-spin round determine the level of jackpot. Since a max-coin wager will result in the highest winnings, it will result in the mercury rising quicker toward the top jackpot level.

"This game is the first to combine a free spin bonus with a multi-level progressive," notes Stage.

There will be four initial base games on

the Cash Fever link, all versions of standard e-motion games with the progressive bonus feature added. Each includes game-specific bonus features in addition to the common bonus triggered by "Cash Fever" symbols. At G2E, the games "Deal or No Deal" and "Bedazzled" will be featured in the link. Deal or No Deal is Atronic's first licensed game, based on a television game show popular in Holland, Australia, Argentina and Italy. In one bonus round, the player hears the "studio audience" vote for one of three on-screen bonus events. In the main bonus, the player selects from a field of cash boxes, and chooses "Deal" to accept the amount or "No Deal" to try for a higher amount (or lower amount).

"Bedazzled" features a wizard symbol that animates and expands to cover a reel, making that reel wild in a free-spin bonus round. It includes Atronic's patented "Win Two Ways" option, in which an extra per-line wager activates right-to-left payoffs as well as left-to-right, increasing hit frequency and doubling scatter pays. It also includes a "Frog Feature," in which a frog hops across the screen to reveal bonus credit amounts—a feature borrowed from Atronic's popular



Break the Spell" game.

Other games on the Cashline link include "Treasures of Venice" and "Time for Money." Treasures of Venice is a beautiful game that takes full advantage of the dual-screen e-motion cabinet. The top monitor features a Venice scene that actually changes between day and night. There is a unique on-screen bonus in this game. "Campanile Tower" symbols cause two reels to animate, and the player chooses between them for a free spin and actually picks the volatility of the feature. "Rialto Bridge" symbols trigger a multi-leveled main bonus, in which the player selects from masks for credit amounts of golden fan symbols that trigger a third screen and a selection from Venice souvenirs to award additional credits.



"Time for Money" offers the player a choice between the 19th century and the 28th century. The player's selection causes the top box and the reel symbols to transform either to a Victorian theme or a futuristic theme for a "spin-'til-you-win" free game bonus.

Stand-Alone Games

Atronic also will introduce a new suite of stand-alone games in the e-motion platform at G2E. Among the highlights are "Angels and Devils" from the U.S. development group. This game has some of the most intricate animation ever in an Atronic game, which Stage credits to beefing up the U.S. development staff with award-winning artists and animation experts from Hollywood film production companies. "They gave this game high-quality, Hollywood-style TV graphics,"

he says.

The game offers a visual onslaught, and

a free-spin round with multipliers offering the player a choice of volatility—a lot of free spins with a low multiplier, or fewer with a higher multiplier.

Other titles being introduced at G2E include: the first e-motion version of the Cashline game, "Dancing Spirit," with the Win Two Ways feature added, and for the first time in the e-motion platform, a multi-denominational setup; "Magic Woods," a medieval-themed game with a free-spin bonus; and "Blastin' Barrels," featuring animated dwarf characters as scattered wild symbols with a free-spin bonus round.

Stage said free spins are a bonus being demanded more and more in the market-

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Austrian Gaming Industries: The 'Gaminator' Arrives

Novomatic's AGI subsidiary features a streamlined, ergonomic cabinet and new games to introduce U.S. markets to technology proven in Europe, Africa and other worldwide markets

It's called the "Gaminator" and, according to Jens Halle, it may represent the future of the slot floor.

Halle is managing director of Austrian Gaming Industries (AGI), the subsidiary of Austria-based Novomatic Group, which has been supplying video slots and multi-player electronic table games to gaming markets across Europe, South Africa, South America and the Caribbean for years. The Gaminator is a sleek, silver dual-screen cabinet with an ergonomic design, a slim footprint and two, giant color TFT/LCD video screens.

Halle says the development of this cabinet, which houses video slot games on the manufacturer's advanced "CoolFire" platform, means AGI is ready to pursue major marketing of its products to U.S. casinos. The manufacturer is already licensed to sell its games in Colorado, and recently opened an office in Colorado Springs to kick off U.S. sales.

"Colorado is a strong gaming market, and we have had machines on site there for some time," Halle says. "We decided to hold off from quantity sales in the states pending the arrival of our double-

Continued from page 45

place, as players increasingly prefer good game math and volatility over second-screen events. "Free spins are definitely taking over in popularity," he says. "The variety of the payable is available to the bonus round in a free spin, which has a positive psychological effect on the player. It also has been shown that free-spin rounds increase the longevity of the game."

Towerline and the WAP

Atronic's "Towerline" series was launched two years ago as the base games for Arizona Magic, the company's first wide-area progressive system. Towerline games feature chambers of "flip cards" in a mechanical bonus event, which, in Arizona Magic, leads to one of two multi-site progressive jackpots.

This year, Atronic introduces several new games for the Towerline series, including Towerline versions of proven video slots. "Spirit Magic" is based on the popular Cashline and e-motion game "Dancing Spirit." "Zodiac Magic" is based on "Sign of the Zodiac," another game that has achieved much success in the stand-alone video platforms.

Some of the new Towerline games are being placed into Atronic's latest wide-area progressive product, under the "American Magic" series. The "Magic" network in New Mexico has already been transformed into a penny link, and Stage says it is already very popular. Atronic also has created a "national" wide-area progressive in the "Magic" series of Towerline games, with a jackpot created through machines linked among Indian casinos in California, Michigan and Wisconsin.

At G2E, the manufacturer launches "Penny Parade," its first penny wide-area progressive.

Penny Parade will include many of the top-selling Cashline titles, including "Running Numbers," "Ghost Hunter" "Mystery Mask" and "Deep Blue Dollar\$." It will be a nationwide-area network with a jackpot resetting at \$50,000, and all machines will be marketed in banks including confetti-laden, festive signage, with each machine a different color.

Finally, Atronic introduces a new series of video poker games this year, with 19 different poker games. Also introduced for the first time is the "Titan," a giant slot machine including games such as "Kismet" and "Mystery."

It is a remarkable lineup of product for a company that was a comparatively tiny manufacturer only a decade ago. According to Katie Stage, Atronic's marketing manager, the star of the show will be e-motion.

"This year's G2E represents the realization of e-motion," she says, "as operators continue to discover all the ways this platform can be utilized to create new play experiences." □



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screen product, the Gaminator. This is now happening."

Halle says the Gaminator represents a technological breakthrough particularly suited for video gaming, because of the TFT monitors. TFT (thin film transistor) technology allows for color LCD flat-screen monitors that are lighter and thinner than traditional LCD screens—allowing flexibility in their positioning within the cabinet. Additionally, TFT monitors provide for a completely flat screen and sharp graphic images that never flicker, reducing eyestrain.

With the Gaminator, the thin profile permits as many as a third more games to fit within the same footprint, and the ergonomic design provides for more player comfort. The two large screens function in concert, with game bonus events playing out on a top screen situated so the player can view it without strain.

"We are convinced that the future belongs to double-monitor cabinets," says Halle. "We are the first company in the industry introducing a game with two extra-large TFT screens in a space-optimized, streamlined cabinet. The Gaminator offers the full range of CoolFire platform features and game functions, player tracking options and superior stereo sound. The two TFT screens are tilted toward the customer, and separated by a minimum distance to maximize player convenience."

The cabinet design is being adapted for both multiline video and reel-spinners. "The modular design allows for use of mechanical reels with a TFT monitor, or alternatively using two TFT monitors,"

Halle says. The hybrid product using the Gaminator setup is a multi-game unit called "Gaminator Reels & More," which, says Halle, "offers not only a space-optimized cabinet but also the first worldwide multi-game machine with a choice of 10 games including one reel game and nine video games."

Game Launches

At G2E, AGI will introduce a suite of slot games to go with the Gaminator cabinet. New game titles include "Knight's Quest," with a medieval theme played out in beautiful artwork on the two video monitors; "Bananas go Bahamas," a Caribbean-themed game with a bonus feature awarding 45 free games; "Riches of India," with an on-screen bonus feature in which animated "snake charmers" and a wild "guru" symbol multiply jackpots up to 25 times; "The Money Game," with a free-spin bonus feature including wild dollar sign symbols that double or triple jackpot values; and "King of Cards," in which Joker symbols substitute for all other symbols and double all winnings in free games.

AGI also will display several games that have already achieved worldwide success, including "Treasure Ant," "Ancient Atlantis," "The Search for More Money" and "Lucky Lady's Charm."

The manufacturer also will use the G2E show to launch a linked progressive system called "Cash Connection." In this system, up to 64, five-reel video slot games are linked to a jackpot controller, which uses coin-in triggers to randomly award a common bonus event

called "Kenny Cash," which awards one of four levels of progressive jackpot. "Every game played has a chance to win one of the four progressive jackpot levels," says Halle.

AGI also will showcase its most successful worldwide products, its multi-player automated roulette games. "We are the world's leading producer of multi-player systems," Halle says. "Our most successful product, 'Novo Touchbet Live-Roulette,' has been recognized as the first true crossover product between live games and slots."

The Touchbet Live-Roulette system links the roulette wheel of a standard roulette table to a server and player terminals, enabling players to participate in a live roulette game from individual video terminals. The physical roulette wheel is set up for fully automatic operation. "Our modular design allows networking of up to 250 of these electronic player stations," Halle explains. "All terminals replicate the roulette layout, and a touch-screen monitor allows players to place their bets just like on a live roulette table."

Another popular AGI roulette product showcased at this year's G2E is "Novo Multi-Roulette," a smaller system that links eight electronic player stations to a fully automated physical roulette wheel. The touch-screen player stations are arranged like an island around a mechanical roulette wheel secured in an enclosed case. According to Halle, the system features secure cash-handling and payout mechanisms, second-screen video features for call and neighbor bets, and options such as on-screen chip value selection, random variation of the wheel speed and alternating direction of the spin of the wheel and the live-game roulette balls.

"Our products are operating very successfully in casinos all over the world," says Halle. "We respond to market demand by giving players and operators the options and excitement they expect from the newest generation of slot machines and multi-player systems. Our passion is to develop interesting games and to provide service excellence to our loyal base of customers."

Halle says the strength of AGI lies in its flexible and expanding product line. "One of our core strengths is our great diversity of products and business lines," he says. "Our broad product range allows us to design customized products for niche markets worldwide, and enables us to react immediately to ever-changing market requirements."

As AGI pushes further into U.S. markets, that flexibility is bound to come in handy. ■



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Bally Gaming and Systems:

Consolidation of Strengths

Bally Gaming brings its own development forces together with recently acquired SDG to display a mind-boggling array of new concepts

By the time Alliance Gaming completed its acquisition of Sierra Design Group earlier this year, the company's Bally Gaming and Systems business unit had already turned its business around: pursuing new ideas to continue its dominance of the reel-spinning market; revamping its EVO video platform; and introducing the highly successful "Cash For Life" and "QuarterMillion\$" progressive links.

The acquisition of SDG, though, would set Bally's game development path for the future. Besides giving the company an instant entry into the Class II Native American bingo and central-determinant video lottery markets, SDG's technological prowess was well-known and, says Mick Roemer, Bally's senior vice president of corporate sales and game development, on a path parallel to R&D at Bally.

As Bally developed the next generation of the EVO platform, SDG was perfecting the Alpha video platform. The technology of that platform has been spread through contract to other manufacturers—most notably WMS Gaming but with the acquisition, it is being merged into the video R&D at Bally Gaming. "Alpha is the most universal platform to date," says Roemer. "There is no other platform so many manufacturers are working with."

Engineers at Bally and what is now its sister company SDG have been working together on new projects, even as a new batch of EVO video slots is before regulatory agencies for approval. The first of Bally's new Alpha games will be approved shortly after the New Year begins, says Roemer.

Marcus Prater, Bally's senior vice president of marketing, adds that the 11 new EVO titles being introduced at this year's G2E show will be easily convertible to Alpha when

the SDG platform is eventually combined with EVO technology into Bally's platform for the future. "It is a simple conversion to the OS board," he says. "We are making it simple to take an existing box and upgrade it."

The new EVO titles and a wealth of new and existing EVO titles being internationalized with language conversions to Russian, French, Chinese, Spanish and others are only a small portion of an astounding number of titles in all of Bally's game families that will make up this year's G2E display. Bally is set to wow the industry this year with new offerings in EVO, EVO HYBRID, S6000 reel-spinners, licensed titles in the Premium category, progressives in the Cash For Life and QuarterMillion\$ links, a new version of the Game Maker multi-game unit, and new offerings resulting from the SDG acquisition that are like nothing the slot floor has seen before. There are 150 new games in all. "We are launching the most games Bally has ever shown at G2E," says Prater. "What's more, most of them will be available for sale at the show."

Cartoon Jackpots

Bally has grouped all the cartoon-themed games it has collected over the years into a series for placement on its Thrillions multi-site progressive network known as the "Cartoon Jackpot Link." The link will feature several denominations and a \$100,000 reset on the top progressive prize. According to Prater, Bally is bringing established games such as Popeye, Blondie and Betty Boop, which formerly had a \$25,000 top prize, into the \$100,000 Cartoon link.

At G2E, the manufacturer will introduce the newest additions to the Cartoon Jackpot group, headed by "Rocky & Bullwinkle," based on the quirky 1960s cartoon series that millions of Baby Boomers grew up watching. According to Roemer, popular bits from the series were re-animated by Bally artists and placed into the context of



slot bonus games. Better yet, he says, the manufacturer was able to find many of the original actors from the cartoon series to do the voice-overs.

That includes June Foray, the original voice of Rocky the Flying Squirrel. Now in her 80s, Foray also provides the voices of Natasha Fatale and

Nell Fenwick, other characters from the series appearing in versions of the slot. Bally managed to snag the official voice of Bullwinkle, Australian impressionist Keith Scott, to provide the voices of the famous moose, along with Dudley Do-Right, Peabody and the "Fearless Leader." Scott was an acquaintance of the original voice of Bullwinkle, Bill Scott (no relation), who is said to have hand-picked him as his successor.

The Rocky & Bullwinkle theme is being used in several games being introduced by Bally, including reel-spinning and video versions. Bonus rounds include a "Save Nell Bonus" with Dudley Do-Right and Snidely Whiplash, and, in the "Lucky Wheel" version of the game, a mechanical "Way Back Machine" piloted by Mr. Sherman and Peabody.

QuarterMillion\$

Bally is introducing several new games for its popular QuarterMillion\$ multi-site progressive link, which Roemer says has been the "most successful progressive launch ever for Bally." QuarterMillion\$ is a multi-denominational link, with maximum bets on all games equal to three quarters in addition to three-coin quarter games, the link includes 75-coin penny games, 15-coin nickel games, etc. The top jackpot resets at \$1 million.

Heading the list of new QuarterMillion\$ games at G2E will be another branded entry, "Hee Haw," based on the long-running country music comedy/variety TV show. Animated images of all the country stars from the show Buck Owens, Roy Clark, Minnie Pearl, Junior Samples and others dish out comedy in the bonus rounds, and the game also includes a mechanical top-box bonus round called "Country Cash" (hosted by the Minnie Pearl character), in which a top-box reel



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determines moves around a board of cash bonus amounts.

There also will be a version of Bally's "S&H Green Stamps" game (the main version is a new type of game developed by SDG) on the QuarterMillion\$ link, as well as a new entry in the Playboy series, the "Playboy Get Lucky Wheel." The latter game is a Playboy \$6000 reel-spinner with the Lucky Wheel bonus wheel popularized last year.

Game Maker II

The original Game Maker multi-game video unit was credited with virtually saving Bally from extinction in the early 1990s. The multi-game unit employed, for the first time in the casino industry, the style of multiple games included in a single machine that had previously been the purview of the instant lottery.

There are still thousands of original Game Maker units in casinos across the industry, but this year, Bally introduces an updated version of Game Maker, in a new dual-screen cabinet. Game Maker II is a new video operating system that will replace the comparatively primitive Game Maker I. It is housed in a cabinet known as M9000, which employs a dual-screen setup, with the top screen used for bonus events. The main screen is a 19-inch, super-high-resolution touch-screen monitor.

It is ergonomically designed, with buttons placed 34 inches from the ground (the original Game Maker buttons were 43 inches high) and all the peripherals within easy reach of the player. The sound system was carefully designed to be pleasing to the player without bothering others, notes Mike Mitchell, Bally's vice president of game design. "The woofers are in the front; the tweeters are in the top—so the sound ends at the player," he says. There is even a volume control.

Among the new games being placed in the M9000 version of Game Maker II is the first in a series of slots based on a licensing agreement between Bally and Atari, Inc., announced in September. "Pong" is the first of several Atari video games from the 1970s and 1980s to be re-created in slot form by Bally. Also included in the agreement are Atari classics such as "Asteroids," "Missile Command," "Centipede" and "Breakout."

Pong, the first game in what Bally is calling its "Retro" series, is a multiline base video slot with a bonus on the top screen duplicating what was the original home and arcade video game—a simple on-screen tennis match using a computer blip bouncing back and forth across the screen. The bonus round will actually include a skill element for all those post-Baby Boom casino customers who grew up playing

Pong and other arcade games. A traditional game paddle will be included to allow the player to play an actual game of Pong against the computer for his bonus award.

The SDG Connection

The merger of SDG into the Bally fold has resulted in several new offerings this year, both for the casino market and for the burgeoning Class II Indian gaming market.

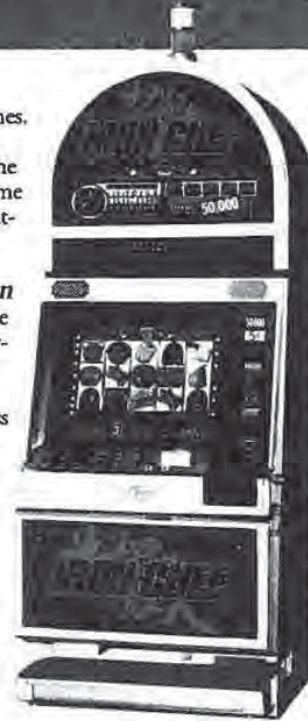
For the casino market, Bally and SDG have developed a collection of games on SDG's Alpha platform that Bally is launching at G2E. Many of the games offer prize setups and play features like nothing else in Bally's arsenal. According to Roemer, that's the beauty of the Alpha platform. "The freedom given game developers by this new platform is incredible," he says. "We can do just about anything we want without having to trick or alter the operating system."

Just about anything like having players win prizes that are sent to them through the mail via an Internet-linked system. That's how the new version of "S&H Green Stamps" works. The game, based on the merchandise stamps and catalogues that were legendary during the 1950s and 1960s, was originally introduced as a straight EVO video slot. This new version actually re-creates the Green Stamp experience.

Players are awarded "Green Points" for landing certain combinations during the video slot game. Points accumulate during play, and can be printed out on a ticket at the end of the slot session. That ticket can then be taken to a nearby redemption kiosk linked to an Internet shopping site, where the player picks a merchandise prize in a Silver, Gold or Platinum category, based on the number of "stamps" collected during the game. The player plugs in his name and address, and the prize is sent through the mail to his home.

SDG initially developed this technology—called "Casino Merchandise Technology," or CMT for its first major Class III game, "Raining Diamonds," in which players take tickets to a redemption kiosk to trade them for fine jewelry items. (New versions of that game will be launched at G2E as well.) As with Raining Diamonds, the Green Stamp tickets collected by players can actually be taken home and saved up to achieve higher-level prizes.

"Great Adventures" applies the same style



of bonus to travel awards. Pay combinations in the Alpha video slot trigger travel awards at the Silver (\$300), Gold (\$600) and Platinum (\$1,199) levels. The ticket prints out the award with a phone number to call for reservations for a vacation—a Hawaii vacation; lower awards are designed to offer a vacation to a NASCAR event or some other broad-appeal trip.

According to Loren Nelson, director of game development for the SDG division, the company's engineers are working on versions that, in the long term, will place the shopping excursions right on the gaming terminal.

Other Bally/SDG Alpha games being showcased at G2E include "Auction Fever" and "Bejeweled."

Auction Fever is a linked bank of games based on an Internet auction site. The games actually are linked to each other via an Intranet connection. When a coin-in trigger is reached, a controller sends the entire bank into an interactive bonus round—one machine is designated the "seller" and the rest are "buyers." What follows is a simulated Internet auction. The seller touches items on his video screen, and other players touch their screens to enter "bids." The winning bidder receives a bonus award, and the "seller" receives the bid amount as a bonus.

Bejeweled is a simulation of a popular Internet game. The entire play screen is a field of jewels. The entire game play consists of wagering in an attempt to select jewels with matching coin amounts. When matching jewels are selected, they disappear from the screen and new jewels fall into the display to complete the grid.

SDG has worked with Bally to incorporate many classic Bally slots into the Alpha video platform, including a video version of Blazing 7s featuring a custom top-box and \$100,000 progressive jackpot.

Meanwhile, SDG is incorporating Bally game content into its game systems for both central determinant video lotteries and Class II Native American bingo casinos. Interestingly, the games for the Washington lottery market which uses a finite-pool video system are housed in IGT Game King boxes, and include game content from IGT and WMS Gaming as well as Bally. According to Nelson, it is a continuation of the business SDG has built over the years with all of the slot suppliers. "It reinforces SDG's role as the Switzerland of manufac-

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Cyberview:

Let the Games Begin

Cyberview Technology ushers in era of server-based gaming with initial U.S. regulatory approval

For the past few years, “downloadable games” and “server-based gaming” have been buzzwords for the future of the slot floor. Several years down the road, it has been said, casino floors will be transformed through central servers that download a variety of video slot content on demand to slot cabinets serving as end-use terminals for a variety of games.

The era of server-based gaming is to be an era in which casino operators can switch game styles, denominations, even game programs, according to the types of customers present at any given time of the day, week or month.

Thanks to Cyberview Technology, that era is suddenly upon us.

This year Cyberview, which, since its founding in 1995, supplied game content over central server-based systems mainly in Europe, became the first supplier to place server-based game terminals in a Class III casino in the U.S. It did so with a planned trial of its system at California's Agua Caliente casino. Cabinets decked out with the casino's logo and in-house graphics will be set up to receive any of several games each, which the casino can switch out at will.

Casino operators typically cite regulatory restrictions as the major obstacle to the spread of server-based gaming in U.S. casinos. In August, Cyberview achieved a major victory in overcoming that obstacle when it became the first supplier to achieve approval of a server-based system by a major testing organization. Gaming Laboratories International, the world's largest slot testing organization and the certified proving ground for approval of slot products in virtually all Class III Native American jurisdictions—including huge markets such as California

and huge casinos such as those in Connecticut—approved Cyberview's server-based system for delivering downloadable slot games.

“No one in the world has ever had approval from a certification organization for this type of system,” says Jean-Marie Gatto, chairman and CEO of Cyberview. “It legitimizes us, and allows us to go into many jurisdictions in the world, since GLI is the largest certification testing lab in the world. For that reason, we have a large universe in which to install and sell our secure and trusted systems.”

While the approval certainly will expand Cyberview's already-strong business in the U.K., Russia and other European markets, perhaps more important for both the company and the industry at large is that the GLI certification clears the way for the penetration of the world's largest slot markets—those in the U.S.

“Everyone (in the U.S.) has talked about it for years, and now it has occurred,” says Roy Student, president of Cyberview's gaming division. “Now that our system is approved, we will be able to go into all the jurisdictions supported by GLI, which is a vast market.”

He adds that Cyberview's GLI approval likely will speed up the overall move into downloadable gaming by the large U.S. slot manufacturers. “Now, the big boys have to catch up,” he says.

“They have to decide which way to go. We have pioneered this through the testing labs, and now we are going in for installations. We're the first ones to do this. I can't tell you how far everyone else in the industry is, but what we have done is to raise the bar on what the slot floor is going to look like, now and in the future.

Manufacturers have always talked

Continued from page 52

turers,” he says. “We have 10,000 Game King cabinets out there, which we are retrofitting with the Alpha video platform.” Bally will show 20 new games designed for the central determinant system at G2E.

Bally is introducing some 18 new games for the Class II market on SDG's Alpha video platform at G2E.

Emphasizing the Strengths

In addition to this wealth of specialty games and new formats, Bally will introduce a host of new games in its strongest game lines, including new branded EVO and EVO HYBRID games and, of course, a lot of new reel-spinners in the S6000 line.

New branded video slots in the Premium category include “Li'l Abner,” based on the long-running comic strip; “Iron Chef,” based on the famous television cooking program; and “3 Musketeers,” based on the legendary story. There also is a new three-level progressive penny version of video “Blazing 7s.” In most cases, the bonus events in the new video slots lean more to the simple, free-spin bonus than second-screen events. “Our research has showed that games with good, solid math and re-spin features stay on the market longer,” says Roemer.

Finally, S6000 reel-spinners will have a dominant presence in Bally's G2E booth. “Being the dominant force in the reel-spinning slot market, we will have a lot of them on display—over 70, in multi-denominational, nine-coin, five-coin and other multiple setups in addition to the traditional format,” Roemer says.

Highlights of the S6000 offerings include several nine-coin games with branded themes and mechanical bonus features. “Play Lee” is themed around the legendary Vegas icon Liberace, with a nine-coin, three-line base game and a wheel-style bonus. There is the nine-coin reel-spinning “Play Ray Charles” game with a light-box bonus, adding to the popular franchise enshrining the late entertainer. There is “Chippendales,” a nine-coin S2000 slot that kicks off a new series for the ladies, to counterbalance the Playboy series for men.

Bally is marshalling all of its forces this year to put on a show the likes of which has never before been seen from the legendary slot-maker.

And judging from the entire technological prowess now at Bally's disposal, next year should be even better. □



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about central-server systems and downloadable game content, but have always said, 'it's coming.'

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The System

Cyberview's key engineers developed their first downloadable, server-based gaming system in the early 1990s for the French National Lottery. After the basic system was perfected, Gatto and Sylvie Linard (the company's chief operating officer) founded Cyberview Technology as a U.S. company in 1995 and took the server-based system to the U.K. betting parlors. Cyberview supplies games to more than 9,000 terminals across Europe.

Cyberview has built its own library of video game content, and has bolstered its variety by partnering with many of the traditional slot manufacturers, including Sigma Game, Mikohn and Shuffle Master. In Cyberview's system, all game content can reside either on the gaming machine or on a central computer server operated by the operator. The casino purchases cabinets, housing what are basically slave computer terminals. Cyberview can customize those terminals with artwork and belly glass tailored to the individual casino, to the style of game, or with any marketing messages the casino desires.

Once the system is set up, it's up to the casino which games are offered at the terminals at any given time. Different game styles—video reel slots, single-line games, multiline video slots, video poker and many others—in whatever denomination the casino desires and in various payback percentage programs are available to download from the server to the terminals at any time. The percentages are all pre-approved and verified by regulatory agencies.

The casino can simply provide the gaming authorities with a download schedule for the terminals. For instance, a bank of slots can be loaded with low-volatility nickel multiline video games during weekdays, and switched to dollar single-line games for the weekend crowds. Video poker can be offered when the casino is crowded with frequent-visitor locals, and the same games can be switched to multiline video or traditional slot games when the tourists come in. Special games can be downloaded for promotions, and changed back when a promotion is over. Casinos can watch the win-per-day on a game and change that game out immediately if it is not earning enough.

The terminals themselves—the boxes—no longer need to be replaced if a game is not receiving sufficient play. The games can be completely switched out, in an instant.

"Server-based gaming offers what the

operator has been seeking for many years—flexibility, and better controls within his gaming floor than he's ever had," says Student. "This is a slot marketing guy's dream, because he can handle the groups, the tournaments, changing games between day and night—all the flexibility he can imagine."

The server-based system also permits casinos to customize the games available to individual players. Soon, a player will be able to download a favorite game on demand, regardless of where he happens to sit down.

"This allows couples, and friends, to play together," says Student. "Typically, when a couple comes into a casino, the man may like to play video poker and the woman may like to play some kind of slots. In today's casino, the games are in separate banks; the couple has to separate to play their favorite games. Soon, they will be able to sit next to each other, put their player cards in, and their games are downloaded for them."

The Rollout

With GLI approval of its system in hand, Cyberview is ready to tackle the U.S. market, and to initiate the spread of server-based gaming in the world's largest slot jurisdictions. California, where the company is set for a trial at Agua Caliente, stands to be the first large rollout site for the company's server-based games. The company recently opened a new office in San Diego to concentrate on bringing Cyberview's system to California's tribal casinos.

"California will probably be a large proving ground for us," Student says. "Gaming has always been a domino business. If it flies there, and in a few other places we're talking with operators in Connecticut as well it will spread quickly, because everyone else is waiting for it. They've been waiting for it for years, and no one else has stepped up to the plate."

The Florida cruise market stands to be another large proving ground for the company's casinos. Game servers are placed right on the ship, resulting in more flexibility than ever before possible in the often-cramped shipboard casinos. Cyberview already has a contract with Palm Beach Cruises, with installation scheduled for December. "We envision a tremendously large market for Cyberview in cruise ships, because of the flexibility of having a variety of games on board without having to

add new machines," Student says.

He adds that the Class II Indian gaming market also is tailor-made for Cyberview's system, since electronic bingo requires a central server-based environment to begin with.

For now, though, Cyberview is concentrating on the rollout of its system in Class III markets. According to Gatto, the company will soon submit its system in New Jersey and other major jurisdictions. Student notes that even though traditional reels remain strong in many of the major jurisdictions—typically 45 percent of the floor—over half of the slot floor of a given New Jersey casino is occupied by video slots and video poker, which could be switched over to a central server system.

The company also is beefing up its library of downloadable games. "We are working on game content with some of the major suppliers," says Linard. "We are also working on our own game concepts with third-party developers." One of those suppliers is Great Wall Gaming, headed by casino executive Jackie Yee. Great Wall is supplying a variety of Asian games for placement on Cyberview's servers. "These are games geared specifically toward the Asian player who would be frequenting North American casinos," Linard says.

Meanwhile, Gatto says Cyberview remains open to alliances with the traditional slot manufacturers, or other business opportunities to further the spread of server-based gaming. "Everything is open," he says. "Cyberview's got the technology, which is very secure. Many other companies claim they have it, but no

other company has even submitted this type of system to GLI for approval."

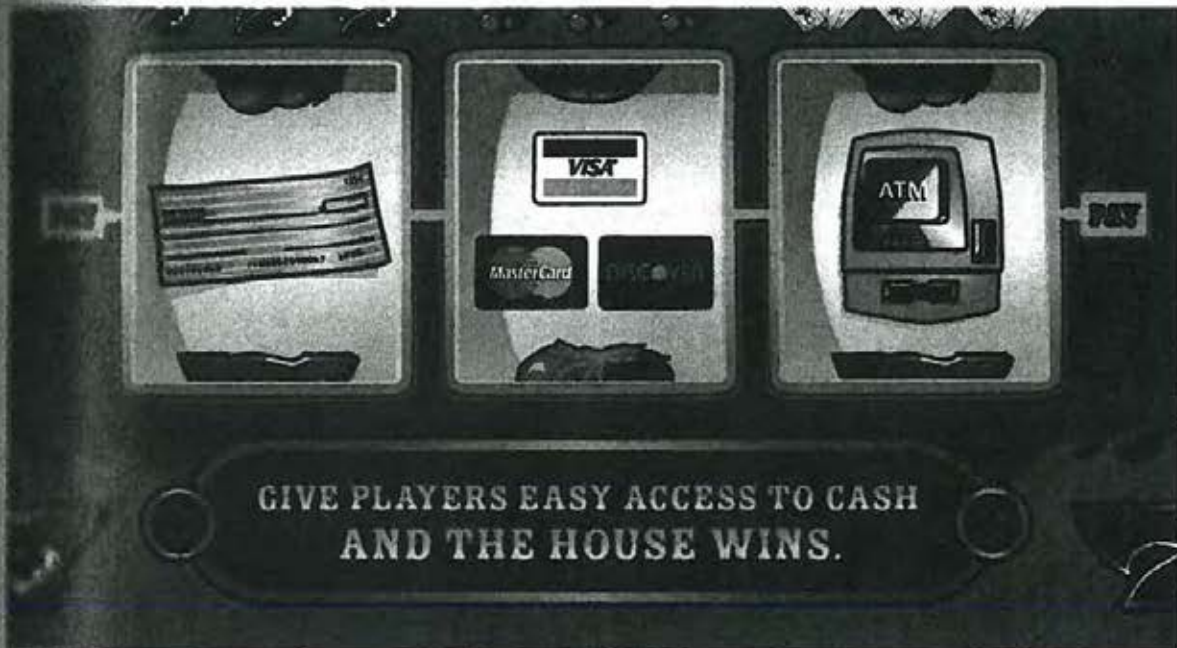
"It took us a year and a half to go through the GLI approval process," adds Student. "How far behind are the other manufacturers? What defense mechanisms are the major suppliers going to take to protect their box business? There is a huge difference between having a downloadable system and having a proven one which has already processed, securely, tens of billions of transactions."

Reactions of the traditional slot manufacturers remain to be seen, but Cyberview's GLI approval means one thing: server-based gaming is here, and likely is here to stay.

"In summary, it's a whole new ballgame," says Student. "Let the games begin!"



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Konami Gaming: New Frontiers

Konami expands its video slot line while introducing its first stepper series and a unique linked bonus game

This has been a busy year for slot development at Konami Gaming. Ever since the manufacturer was established as the U.S. arm of Japan's Konami Ltd., its developers have stuck to a consistent formula centered on producing some of the best multiline video slots in the business.

Konami has continued to expand its video slot line, establishing U.S.-based R&D facilities and improving its video platform to release game after game with clever themes and breathtaking video graphics. This year, as the company stands poised to move into a larger headquarters building in Las Vegas, its product line branches into new frontiers.

Konami will use this year's G2E show to display its widest range of products yet, from a new suite of video slot titles, to a new linked product with a groundbreaking method of displaying winning combinations,



to innovative new features in its player tracking and accounting systems, to one of the main breakthroughs this year, the introduction of the company's first line of stepper slots, the Advantage Series.

Deron Hunsberger, Konami's director of sales, notes that the fact Konami plans a bigger G2E showcase than ever is part of that natural evolution, as opposed to a concerted effort to put on a good display for the show. "We don't develop specifically for the G2E show," he says. "We're trying to stay within a regular development pattern rather than trying to force products out."

Video Product

Konami will introduce as many as 20 new

video slot titles at G2E.

"Our focus this year has been to change the functionality within our video platform," says Hunsberger. "We now offer multi-denominational functionality on all games. Paylines are operator-selectable, particularly for the low-denomination market—the penny and two-cent denominations."

To better serve the burgeoning low-denomination market, Konami's U.S. development team has linked with its Australian team to bring several new titles to the U.S. market. "We continue to bring successful game titles over from Australia, since that was the first market to really target the low-denomination player," Hunsberger says. "We will continue to bring that capability to bear, while developing other titles on the video platform here in the U.S."

Several entertaining multiline new video slots will be launched at G2E.

Among the highlights is "ER Fever," which features two, clever second-screen bonus events. In one, the player selects a patient for an X-ray, and the bonus win appears within the X-ray display. In the other, the player selects from four "remedies" for a patient's illness. If the patient is cured, a large multiplier is applied to the bonus win as the patient is "released" from the hospital.

Randomly, a second patient is presented for a potential cure, for an additional bonus win.

"Hawaiian Dream" is a colorful video slot with a "Hula Dance Bonus" in which scatter-pay symbols transform into wild symbols for the bonus win. "Ghastly Gold" carries a comical monster theme along with three separate bonus events. The player chooses between Frankenstein, the Mummy and the Werewolf to determine which of the three bonus events will play out. The Werewolf triggers 15 free games with wild symbols added; the Frankenstein triggers free games that progress until five wins occur. The Mummy prompts players to select three picture frames, which become reel symbols in a free-spin round, along with wild symbols to increase the pay.

The Advantage Series

Konami's first line of reel-spinning stepper slots was field-tested in June, and the manufacturer has since launched the Advantage Series in Nevada and GLI jurisdictions. "We worked with Japan to develop the cabinet, and used a platform similar to that used in our video slots," says Hunsberger. "We added a small LCD screen next to the third reel to allow bonusing you can't do on a physical reel."

The base reel-spinners are primarily standard three-reel buy-a-pay games.

However, the LCD screen on Konami's stepper slots is used more extensively than many of the fourth-reel bonuses on current reel-spinners. On games such as "Sparkling Sevens" and "Highway 777," the fourth-reel display follows the fairly standard feature of applying multipliers, extra credits or mystery pays when a winning combination lands on the primary reels.

"Egyptian King" includes a wild "Mystery Multiplier" symbol on the second reel. When the wild symbol forms a winning combination in the primary game, the LCD screen is activated to display a random multiplier of the jackpot. In "Diamond Solitaire," "Golden Theater" and "African Treasure," three bonus symbols landing on the payline activate a second screen on the LCD display, giving the player a choice from three characters to determine a number of bonus spins. During the bonus spins, either a wild symbol or a 5X wild symbol appears on the middle reel with each spin (the same wild symbols appear in the primary game.) Bonus pays are determined by the symbol landing on the second reel.

Hunsberger says 15 to 20 titles will be displayed at G2E in the new Advantage Series, in two-coin, three-coin and five-coin configurations with both single-line and five-line setups. "Our goal with the Advantage Series has been to develop simple game concepts, to increase confidence in the product line, and to progress through a natural evolution from there," he says.

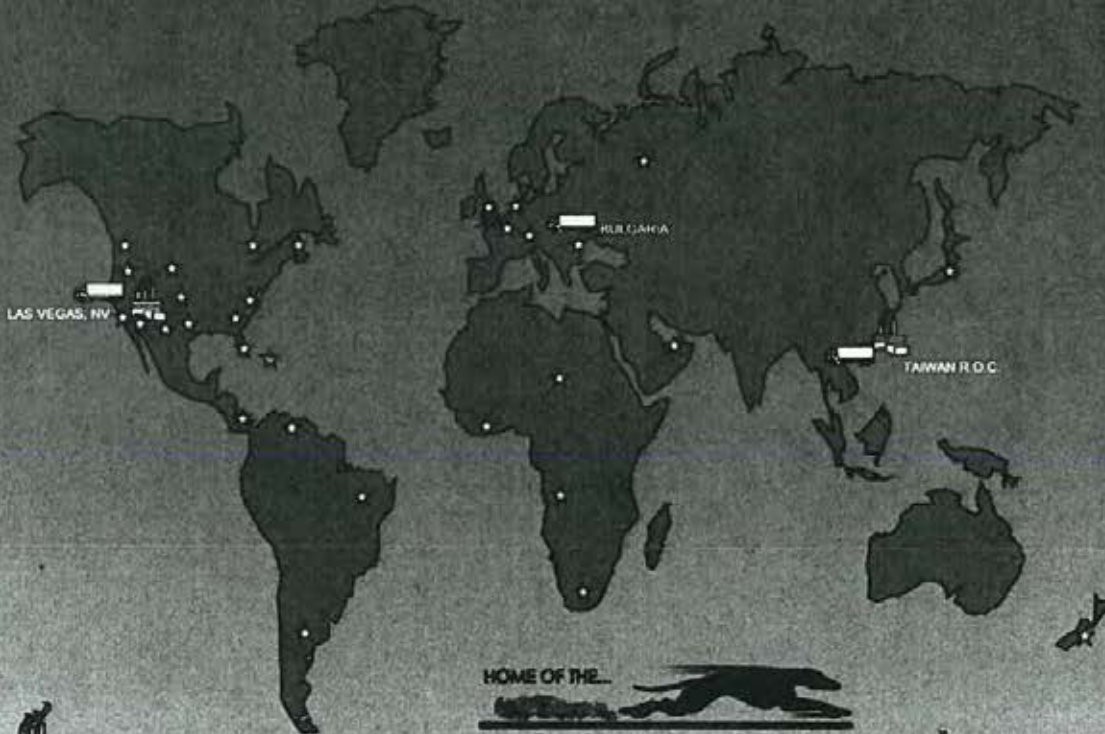
Progressives




Konami expands its line of casino-specific progressive video slots this year in what is called the "Fusion Series." Local-area links in this system bring several of Konami's most popular base games together with five progressive jackpot levels. The games each display the available jackpots on the screen—the per-line bet determines which level of jackpot the player receives. "It is designed to encour-



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age maximum bets," says Hunsberger. "We have launched it as both stand-alone and linked progressives in Nevada and the GLI jurisdictions."

Hunsberger notes that one special feature of the Fusion progressive link is that it allows for a penny progressive game without the requirement of revenue participation by the operator.

The other major progressive launch at this year's G2E is "Rocky: The Contender," the sequel to the branded game introduced last year based on the *Rocky* series of films starring Sylvester Stallone. According to Hunsberger, Konami has altered several features from the original Rocky game. For instance, the top progressive jackpot (it is property-specific) is based on a line jackpot at max coin, rather than using a bonus round as in the first game.

The game itself is a 30-line, 150-coin penny progressive with a top jackpot resetting at \$10,000. There are two secondary bonus features one on the video screen and one on a top-box light wheel. In the video



event, the player chooses from several boxing gloves to trigger a random number of free games with a multiplier. When the light-wheel bonus is triggered, the display flashes until stopping on a multiplier amount, which is

applied to the total bet.

Hunsberger says Rocky features a more volatile program than many of the manufacturer's previous video slots.

"Manufacturers are relying more on free-spin bonuses in more volatile video slots," he comments. "We can do that because of the drop in denomination."

Video Poker

Though still a new area for Konami, the manufacturer is introducing several intriguing video poker games at G2E in a multi-game, multi-denominational unit.

The multi-game unit will feature five games—standard video poker games and Konami's specialty games, including "Rapid Repeat Poker" and a re-launch of "Squillion Poker," originally introduced in 2000.

Rapid Repeat Poker adds an intriguing feature to otherwise-standard video poker. When the player lands a three-card royal flush or a four-card straight flush, he gets the option to make additional max-coin wagers for two extra shots at completing the hand. That's three shots at the royal or straight flush whenever the first three cards land.

Squillion Poker is a four-of-a-kind bonus game with an extra feature. Whenever the player lands a four-of-a-kind, a bonus game is initiated in which a card is displayed, and the player gets the chance to match either the suit or rank in successively dealt hands. Each five-card hand containing a match pays a bonus, and the feature can go on as long as the player keeps making matches or decides to collect.

Konxion

Finally, Konami this year introduces a radical new series of video slots called "Konxion." In Konxion games, the screen displays an oval pattern of connected, hexagon-shaped symbols. Winning combinations are paid when the symbols connect in a chosen pattern; there are no paylines.

The player wagers from one to 30 coins per pattern, and chooses from six possible connecting patterns. The easier patterns to achieve on the grid pay less; the more difficult patterns to achieve pay more. Various patterns range from one credit times the coins bet to 20 credits times the coins bet, and the player is paid the award times the number of connections on the screen.

This screen setup is included in banks of machines linked to a jackpot controller. A bonus feature is fed to random machines on the bank when coin-in triggers are reached. Three or more like symbols will appear scattered on a screen to trigger a free game feature. The player then must select a number of free games—eight, 15 or 25—with a multiplier amount. The higher multipliers are linked with the lower numbers of free games.

The first two games in the series are called "Egyptagon" and "Eastern Prince."

In addition to all the games, Konami will use the G2E show to launch the next generation of its "Forcise" casino management system, including the interactive marketing program "Advanced Incentives," which feeds a graphics and video stream to an LCD display mounted within the face of any given slot on the floor. (For more details on this, check our G2E Preview issue.)

For the future, says Hunsberger, "we will continue to leverage our successful products and grow our library of games." Judging from this year's G2E offerings, those games will continue to move into new frontiers to change the look of the slot floor. □

Mikohn:

Entertainment Focus

Mikohn renews its focus on entertaining game content, combining new proprietary games, sequels to past favorites and innovative new technologies

Mikohn has never counted slot machine development as its main business. The company provides signs, table games, meters and player tracking systems for both slots and tables around the world. It has only been in the slot development business for about five years.

But Mikohn's slot business has been a wellspring of creativity, and it is one that is still growing. The company's slot development division is not a box-maker like IGT or Bally. In the past, it has relied on partners to get its slot product to the market. Originally, the slot development team headed by Olaf Vancura, who now works in the background as chief creative officer, produced software only. A few years ago,

Mikohn developed what is now its proprietary "Matrix" platform. Tim Richards, executive director of global marketing, says the slot division now feels it is in control of its own destiny.

Mikohn still forges alliances with other suppliers, but the partnerships are now simply a vehicle by which to develop its main product creative content for slot games in a variety of venues.

"Our philosophy is to be a content provider, and to spread games on our Matrix platform out across different levels of the gaming industry," Richards says. "We work with the best manufacturers in each region, as well as each market segment—traditional casinos, lotteries, Class II Indian casinos, VLTs, downloadable gaming."

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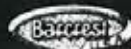
Don't miss the IGT World of Games and Systems on October 5-7 at the Las Vegas Convention Center in booth #3719.



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At this year's G2E, Mikohn will display a strong mix of new proprietary titles and sequels to top branded games from the past. The bonus events are as entertaining as ever.

The humor, the clever animation and the movie-quality graphics keep Mikohn games among the top slots in the market.

Emphasizing the Strengths

Mikohn's new product launches this year reflect a concentration on the supplier's strongest areas in slot development—and a branching out from the customary video slot area to new bonus games using Bally ProSlot 6000 reel-spinners as the base; new games in its pachinko-style stepper series; and a totally new type of game for Hispanic markets that uses a linked bonus controller.

Topping the list this year is a sequel to the "Garfield: It's All About Me" video slot, introduced last year and approved this past summer. The new game in the series, based on the popular *Garfield* comic strip, is called "Odie's Revenge," which is a nine-line video slot with a mechanical bonus wheel in the top box. It revolves around Garfield's nemesis, Odie the dog.

There are two second-screen bonus events, each of which lead to the mechanical

top-box game. In "Drown the Clown," Odie throws balls at a carnival dunking apparatus on which Garfield sits, dressed like a clown. The object is to dunk Garfield. "Odie's Bath" offers a pick-a-tile style bonus game.

It is a multi-level bonus concept repeated in another new video slot, "Office Daze," one of the few video slots Mikohn has produced without a branded theme. It is a comical trip through the office work world, with worker drone and boss characters in some clever second-screen bonus events. The game's topper is an authentic-looking time clock, and the top box displays office characters surrounding a dart board of bonus multipliers.

As with the "Odie" game, the top-box event multiplies the second-screen bonus by up to 500.

New in Reels

Mikohn this year introduces several groundbreaking top-box bonus concepts on games



produced in partnership with Bally Gaming, using Bally ProSlot 6000 reel-spinners as the base games.

Two new games use the pachinko-style top box, first released last year, in a series called "Gravity Pays."

"Battleship: Take The Plunge" is the third Mikohn slot to be based on the popular board game "Battleship." When the bonus is activated through a triggering symbol on the reels, a steel ball drops through pegs on the top box to chambers with images of battleships, each bearing a bonus amount. The player receives the bonus corresponding to the battleship he "sinks."

The other pachinko-style game is "Rock-A-Billy," with a top box beautifully designed as a classic jukebox. As the ball drops through the pegs, bonus amounts appear in a display at the bottom of the box.

The bonus is not predetermined in either of the games—what the player receives depends solely on gravity.

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Continued from page 72

Finally, Mikohn is launching two reel-spinning slots at G2E designed specifically for the Latin market, featuring Latin entertainment idols Tito Puente and Celia Cruz. "Rey Del Mambo: Tito Puente" and "La Reina De La Salsa: Celia Cruz" feature base reel-spinners with a top box containing a giant color LCD screen in the top box, featuring live-action video of the entertainers. Both of the games include both English and Spanish text on the glass, and both employ bonusing technology.

Banks of games are linked to a bonus controller, and random awards involve a unique sequence of synchronized events. When the random bonus is triggered through a coin-in level, Celia Cruz or Tito Puente appears on one of the video screens and actually dances between screens on dif-

ferent machines before stopping on the screen of the random bonus winner's machine to perform a song for 30 seconds. As the winner views the song and collects the bonus, the screens on other machines in the bank display the audience. It is a unique event.

Richards notes the games target the Latin market mainly in North America. "The Hispanic market crosses over nicely with our market," he says. "This market comprises upwards of 50 percent to 60 percent of the overall market in many casino areas in the Southwest."

He adds that the common bonus event generates a lot of excitement in the casino. "The



music of these two performers in a casino environment is great," he says. "It's very catchy, and the players really get pumped up."

For the future, Richards says Mikohn will concentrate on expanding its game content to new markets. "As we've done with Bally, we will forge more alliances," he says. "We are also providing content to Class II suppliers including Multimedia Games, SDG and Cyberview."

"We understand we're never going to have the depth of an IGT," adds Brandon Knowles, Mikohn's director of licensed product. "We want to take the game titles we have and put them into as many markets as possible." □

Sigma Game: Playing Its Strengths

Sigma Game gets back to its roots with new and improved versions of its most successful games

Sigma Game has released its share of high-profile multiline video slots over the years, and has had its share of successes. But for a comparatively small company like Sigma, it has been a constant struggle to compete on the multiline video side when the largest manufacturers are releasing hundreds of titles every year.

Sigma, however, has been able to compete quite effectively in video poker and stepper slots over the years, carving a niche for itself with ingenious variations of video poker and unique bonuses on the reel-spinners.

This year, Sigma is returning to that niche.

"We looked at our internal structure this year, and asked, 'Who are we, and what do we

do best?'" says Sigma Game CEO Jim Jackson. "It has been very difficult to compete with the big guys when they release 200 games a year. When companies have R&D budgets bigger than our total revenue, I can't compete with that. But we have had a history of successes in video poker and stepper slots. We want to go back to those roots—our strengths; what we do best."

Jackson says Sigma Game's major emphasis at the G2E show will be on those two areas—video poker and stepper slots. "This is not to say we won't have any video slots," says Jackson, "but as the little guy, the more we specialize—the stronger our niche—the better we'll be able to compete. If you can't play on their playing field, you create your own."

Video Poker

Sigma's video poker games are second only to slot leader IGT in sales—and popularity. This year, the manufacturer is re-launching several of its most popular video poker games, with improved graphics, revamped presentations, and full, state-of-the-art functionality for ticket-in/ticket-out operation and multi-denominational play.

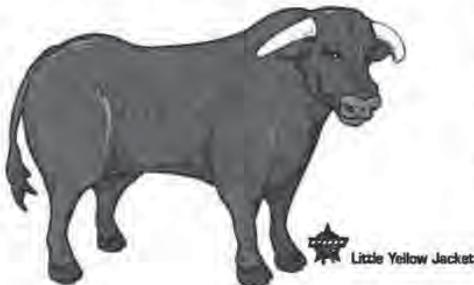
Jackson notes that although Sigma's video poker games—notably "Flush Attack" and

"Sneak Peek"—have been out on the floors for years, they are as popular today as when they were first introduced. "Video poker players are very loyal," he says. "One casino took our games out, and there was a near-riot. In Atlantic City, there are tons of our old video poker games on the floors. The last time I visited, I saw one game with the screen so fuzzy you couldn't tell the difference between an '8' and a '9'—but you couldn't get a seat."

Casinos have been clamoring for new versions of the same games, he says. "The operators are telling us, 'Give us that old Sigma feel and sound, but with ticket printers, multi-denominational play, and all of the other state-of-the-art functionality,'" says Jackson. "We've put a lot of effort during the past year into refining our product to deliver what the player wants. Even if we only replaced the old Sigma machines, that's thousands of games."

At G2E, Sigma will be showing new versions of both Flush Attack and Sneak Peek Poker. Flush Attack is a standard video poker game that randomly goes into "Attack" mode. During this mode, a flush pays 25-for-1. There are several paytables available, and the top one has been a favorite of serious video poker players over the years. Sneak Peek deals the player a regular five-card hand, but before the draw, it reveals what the first draw card will be. This game spawned a wealth of new strategies, and it remains a favorite of players.

Other novel Sigma video poker games include "Add 'Em Up"—which has an extra four-of-a-kind win for three like cards and two cards whose values add up to the same value (e.g., 4-4-4-3-1)—and "Treasure Tunnel Poker," which activates a mechanical bonus "tunnel" in the top box if a winning hand lands during a special bonus mode.



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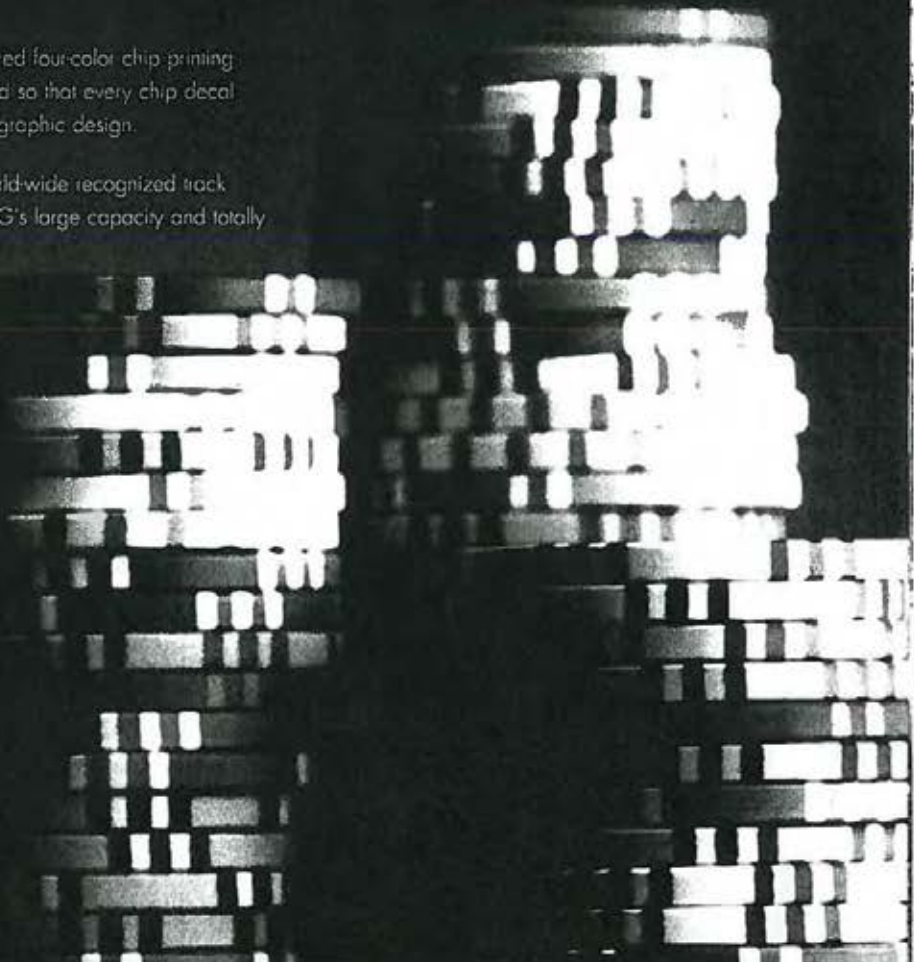
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WMS Gaming: A New Era

WMS Gaming overcomes setbacks with new technology, new platforms and new success

Phil Gelber is one of the top slot development executives at WMS Gaming. But he's not called a vice president or research director. He's an executive producer.

Units of the WMS research and development center on Chicago's North Side are not called labs or technical centers. They're called studios. Sure, there are lots of computers in cubicles, but there also is a fully equipped recording studio. This day, there is a four-piece band laying down tracks of swing music. Another day, there may be a rock band or string quartet playing as technicians sit at sound boards carefully controlling the session. WMS never uses canned music as soundtracks for its slot games; all games include original background music, recorded here. There also is a complete exercise facility on site, as well as a cafeteria and other amenities to provide a livable atmosphere—one that promotes creativity, which is poured into the production of new WMS slot machines.

These days, WMS Gaming's R&D center is crowded with new employee workstations. Up the road in Waukegan, Illinois, the manufacturing and assembly plant is bursting at the seams. That's because WMS is flooded with new orders, thanks to newly brisk business in domestic and, increasingly, international markets.

This fact is a story in itself. Only a few years ago, WMS went through a crisis that threatened its position as one of the top slot manufacturers in the business. Glitches in its legacy video platform had caused problems in the field that shook customer confidence in all its products.

But WMS Gaming has a history of bouncing back from setbacks in a way that makes the manufacturer even stronger than before the crisis. When IGT won a lawsuit involving the Telnaus patent which

brought development of popular WMS reel-spinners to a grinding halt in the mid 1990s, the company concentrated its efforts on video, and ended up with a string of video successes beginning with "Reel 'em In," which actually sent IGT back to the drawing board to catch up on the video side. After the Telnaus patent expired, WMS returned to development of reel-spinning games, an effort that will bear fruit this year with the introduction of an even better group of WMS stepper slots.

WMS responded to the crisis in its video platform with similar effectiveness. The company contracted Reno-based Sierra Design Group (now a Bally subsidiary) to help in the development of a new video platform, based on its own Alpha product. Beginning last year, WMS was churning out video slots on the new "CPU-NXT" platform, housed in a new ergonomic cabinet called "Bluebird."

The new platform, with state-of-the-art functionality and the horsepower for unprecedented graphics, animation and multiple player features, has made WMS video slots better than ever. CPU-NXT is now the standard WMS video platform. This year, the manufacturer is again on a roll, introducing new product groups and a host of games taking full advantage of its now-advanced technology.

"The new Bluebird video product has been out around nine months, and customer response has been fantastic," says Gelber. "Player response has been even better. Customers appreciate the new functionalities. For operators, we are doubling house averages everywhere. We have had a huge amount of positive feedback from customers. With the CPU-NXT platform, they have a tremendous amount of flexibility in setting up their floor."

With new video and reel platforms in place, WMS is focusing on game content. Some 65 new games will be launched at G2E, with some 80 percent of the WMS booth occupied by new products.



Continued from page 74

Reel-Spinners

During the 1990s, Sigma created reel-spinning slots that, like its video poker games, have maintained their popularity over the years. "We're one of only a few manufacturers with 15-20 years of experience creating stepper slots," Jackson says.

The two Sigma reel-spinning game families that have been franchise games for the manufacturer have been the "Treasure Tunnel" and "Treasure Wheel" series of games. Both series include standard reel-spinners with a bonus symbol on the third reel that activates a top-box bonus. In Treasure Tunnel, lights flash in the concave rings that form a tunnel, stopping on one of the bonus amounts. In Treasure Wheel, lights flash around a back-lit wheel in the top



box when the bonus is triggered, stopping on a credit amount or a multiplier.

Sigma exploited the popularity of these bonus methods by releasing Tunnel or Wheel versions of its most popular base reel-spinners, such as "Smokin' 7s," "Wild Patriots" and "Dream Catcher."

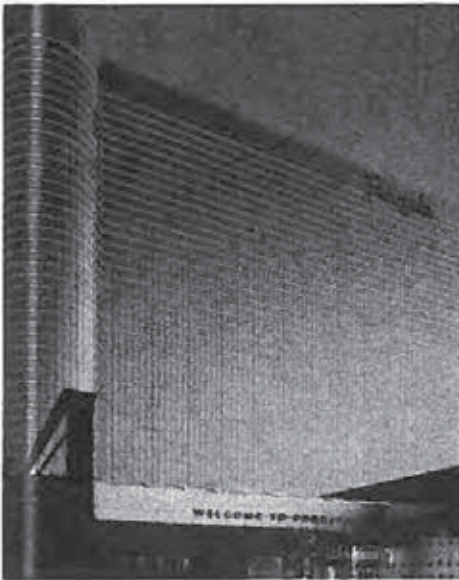
At this year's G2E, the manufacturer re-launches the Treasure Wheel series, "with a bigger, better presentation," says Jackson.

Video Slots

In the video slot area, Sigma is following the same strategy of enhancing its most popular offerings. According to Jackson, a new version of the groundbreaking "Easy Riches," triple progressive slot will be introduced. The original Easy Riches features three levels of progressive jackpots, each won either through a second-screen bonus event or a line jackpot, with the level of jackpots rising according to the player's wager. Sigma will introduce a variation of the game this year that will replace the second-screen feature with a free spin bonus—the player will get five-10 free shots at the progressive.

Sigma also will display new configurations of the video slots introduced last year—the video slot carrying the theme of the Professional Bull Riders Association, and "Big Mouth Billy Bass," the fishing-themed video slot with the animatronic fish topper.

But the main focus of Sigma's G2E offerings will be to play on the manufacturer's traditional strengths. "Sigma has always been strong in innovation, strong in intellectual property," says Jackson. "We intend to mine that treasure trove of IP." □



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Games, Games, Games
WMS Gaming is launching a remarkable lineup of games in all product groups at G2E, with highlights including several new, high-profile branded games and brand extensions of licensed games introduced last year.

Heading the list of new brands is "Fistful of Dollars," a series of video slots based on Clint Eastwood's classic 1960s "Spaghetti Western," with Eastwood himself providing all the voice-overs. The line is being kicked off with two CPU-NXT video slots, "Wanted" and "Wild Shot." Eastwood re-creates his raspy-voiced, no-name cowboy character in bonus rounds in which the player tests his marksmanship at various bad guys on the screen with animated shots of Eastwood's six-gun. According to Gelber, Eastwood has signed on for additional slots, so we can expect more Eastwood films to be memorialized in slot form.

WMS is also launching new games extending the brands of licensed slots introduced last year. "Men In Black: Riches of the Universe" is the second game based on the film *Men In Black*. It too will be showcased at G2E. Bonus events have players ridding the universe of evil aliens, along with several of the quirky alien characters from the two films.

Game shows also are well-represented in WMS' new licensed games. The manufacturer will showcase "Password," a game based on the long-running game show starring the late Allen Ludden, which Gelber says is catching on fast in European markets. The game features music from the show, along with animated images of Ludden and the other stars (Rose Marie, Adam West, Marty Allen and Dawn Wells did voice-overs), without duplicating the word-association game that was the basis of the show. "Our research showed that people don't want to have to think while playing slots," Gelber says.

There also is a slot based on the 1970s game show *The Match Game*, with show host Gene Rayburn doing the voice-overs. In the main bonus event, Rayburn reads a question and the player chooses between two answers. Members of the "celebrity panel" hold up cards with their own answers to the question—if the player matches, a larger bonus is awarded.

And, of course, there is a new entry in the series of video slots based on the *Hollywood Squares* show, called "Hollywood



Square Premiere Night." This, the sixth game in the *Squares* series, is the first on the CPU-NXT video platform. A highlight of the game is live-action video of Joan Rivers as she greets stars showing up for a premiere.

Other brand extensions include several new games for the franchise "Monopoly" series, based on the legendary board game. New stand-alone Monopoly games include "Monopoly Cash Flow" and "Monopoly Reel Riches." WMS is also re-launching the first Monopoly game on the new video platform. Called "Once Around Deluxe," it includes the bonus trip around the top-box Monopoly board that launched the popularity of the original,

while giving operators the option of replacing those games—they are still out in casinos, still earning big numbers—with the advanced functionality of the new platform.

WMS is also extending its proprietary brands, most notably the game that started it all for the company on the video side, Reel 'em In. "Reel 'em In Big Bass Bucks" is the first new game in the series since "Cast For Cash" was released several years ago, and it is the first on the CPU-NXT platform with the Bluebird cabinet. The primary game includes a side-bet feature permitting the player to wage extra that certain winning combinations will land by touching the reel symbol before the spin. A new version of the famous "fishing" bonus sequence is included, in which players select a fisherman who casts a line for a bonus award.

The brand extensions are accompanied by an extensive lineup of new original games, including two more entries for the "Treasure Tales" series, based on popular fairy tales—"King Midas" and "Ring Quest"—and new games including the "Cascading Reels" feature. In this feature, when a winning combination hits, the reel symbols disappear and new symbols cascade down from the top of the screen to refresh the grid of symbols. If new winning combinations result, the process repeats until no winners are displayed on the screen.

There also are a few more quirky—and funny—original video themes, such as "Slotsky," which features a Russian dancing duck as the main character; "The Great Cheese Caper," with mouse gangsters raiding a cheese reserve in a sequence called "Goudafellas;" or "Great Scot!" with its Loch Ness monster shtick and a comical Scotsman in a bonus round called "Up Yer Kilt!"

New Progressive

WMS Gaming's acquisition of the system company Bigfoot three years ago bears fruit this year, as the division, now called WMS Systems, releases the first proprietary WMS wide-area progressive system.

Naturally, WMS launches its first multi-site network with its most popular game series, Monopoly. At G2E, the company will launch a wide-area penny video version of Monopoly. The new link includes several 25-line Monopoly games in dual-screen format, with several game-specific Monopoly bonus events and two progressive jackpots—one local, one wide-area. The first new Monopoly game in the series is called "All In The Cards," with a bonus based on the "Chance" and "Community Chest" cards in the Monopoly board game.

WMS Systems also launches the company's first multi-tiered, casino-specific jackpot system. Based on the WMS favorite "Jackpot Party," four separate base games will include game-specific bonuses, but a Jackpot Party symbol on the fifth reel launches a common progressive bonus round. Players choose from symbols to reveal a star for each of four jackpot levels, moving up through the jackpot levels until either reaching the top or uncovering one of the villain "Pooper" characters.

Reel Resurgence

WMS has revived and revamped its reel-spinning slot series this year, and is set to launch an entire suite of new stepper slots at the G2E show. Most of the new games include one of two innovative random bonus features WMS introduced this year, "Can't Lose!" and "Scroll Top."

"Can't Lose" places an extra symbol on the third reel. When it lands, the player is awarded a free spin with a guaranteed win. The player can bank the "Can't Lose" spins and use them whenever he chooses.

Half of the new reel-spinners include the "Scroll Top" top-box feature. When reel symbols trigger a bonus round, the paytable, situated behind glass in the top box, scrolls to a higher-paying schedule. The more valuable paytable applies to a random number of free spins. If the Scroll Top symbol lands on a free spin, the pay schedule scrolls again to an even higher-paying table, reverting to the original pay schedule at the end of the bonus round.

For other new reel-spinners, WMS has revived the "Dotmation" bonus display, the LED display that served as one of the first-ever bonus features on a reel-spinner in the 1990s with games such as "Jackpot Party," "Piggy Bankin" and "Jackpot Stampede." This time, the display is in color.

To usher in the Color Dotmation displays, WMS is re-launching many of its most popular original reel-spinners. At G2E, the



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Skill or Deception?

How the legal status of advantage players varies with their expertise

Anthony Cabot



Advantage play is a broad term to describe a situation where a player through some method of play acquires an advantage over the casino in the context of a gambling contract. In other words, advantage play is where the player can overcome the mathematical advantage that is built into every house-banked casino game.

Perhaps the best-known advantage players are card counters. But, in reality, card counters, who use superior skill in analyzing the game factors that are available to all players, are only one of four groups of advantage players. The second category includes players who attempt to take advantage of the casino's mistakes. This could include errors made by the casino in posting its terms and conditions or taking advantage of malfunctioning gaming devices that either pay too much or too often. The third category includes players who attempt to acquire knowledge not typically or readily available to other players that provides an advantage in determining or predicting what was intended to be a random event. An example would be a blackjack player who is able to learn the dealer's hole card before having to make a decision on how to play his hand. The final category includes players who attempt to alter the random event to his favor. Examples of this would be where the player tries to manipulate the dice at the craps table so that they result in a combination that favors the bets placed by the player.

Card counters, in a real sense, give advantage players a good name. After all, they are simply attempting to gain an advantage using their talents consistent with the posted terms and conditions of the wager. Despite what is clearly an honorable intent by the player, a casino's right to exclude card counters should remain without question. This is the basic legal rule in Nevada and most other states. This is found in the long held principle that "proprietors of privately-owned places of entertainment and amusement were not obligated to serve the general

'Card counters break no laws, so they should likewise be protected, as they are, from being treated like criminals. Too many casinos seem to forget this and ultimately face liability.'

public." The basis for this rule is that a proprietor should not be forced to enter into a contract or even having to cater to a person unless they so desire. This is no different than a businessman having the right not to contract with another businessman who he fears may take advantage of him because of questionable ethics or even because of superior negotiating skills. In a casino environment, the operator should not be forced to give reasons for exclusion, merely suspecting that the player has gained his money through illegal activity or is a known thief or cheat should be enough. Our society rightfully creates exceptions to ferret out invidious discrimination based on race, creed or color, but card counters share none of the attributes of these protected classes. They simply want to take the casino's money.

New Jersey is the exception to this general rule. Its enabling legislation that created the casinos also inadvertently formed an obligation of the casinos to deal to card counters. The result has been the establishment of countermeasures that take away the card counter's advantage, but also hurt the casino by slowing the game down and hurt non-counters by lowering the basic odds of the game. It would have been more logical to simply allow the casinos to ban card counters from the start.

But, as card counters break no laws, they should likewise be protected, as they are, from being treated like criminals. Too many casinos seem to forget this and ultimately face liability for assault, battery and false imprisonment in their ill-advised treatment of card counters.

The other categories of advantage players, however, do not deserve the same standing as the noble card-counters. Their actions in the casino are at a minimum unethical and often are or should be unlawful. These advantage players go into the casino with the intent to either knowingly take advantage of a mistake that was unintended and outside the accepted terms of the wager, or to figure methods to alter the random result that is the very heart of the wager. In the case of mistakes, it is very difficult to criminalize such behavior because proof of intent to take advantage of mistakes is difficult. The activity itself, however, is as unethical as buying a candy bar for a \$1, giving the clerk a \$10 bill and accepting \$19 in change because the clerk thought you gave him a \$20.

To walk into a casino on opening night looking for mislabeled slot machines that pay more than they should is equally dishonest but unfortunately difficult to criminalize. Criminal activity usually requires that the prosecutor prove criminal motive. Advantage players that seek to operate outside the rules of the game have a very basic intent to defraud the casino. This is true whether the scheme is to learn the dealer's hole card in blackjack or control the throw of the dice in craps. Nevada law, for example specifically criminalizes such activity. These laws should be uniform. □

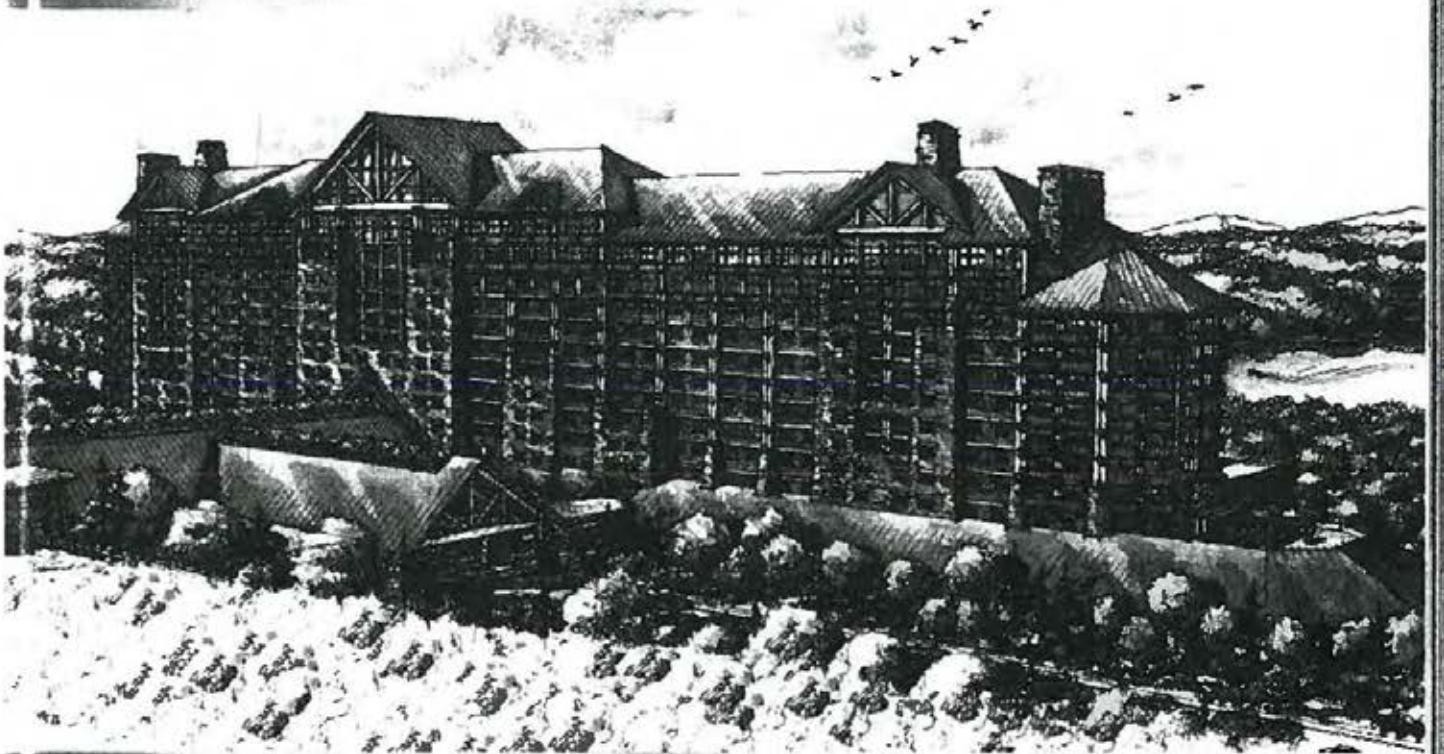
Anthony Cabot is a partner in Lionel Sawyer & Collins' Administrative Law Department in Las Vegas. He is the author of many books on gaming law, including the recently released, The Internet Gambling Report V. He can be reached at acabot@lionelsawyer.com



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Marketing Power Tools to Gain the Edge

by Gary Border

It is interesting to talk with marketers in gaming and other industries and discover how they became marketers. Whatever the path that leads them to marketing, they seem never to lose their core competency. It's even hard to shake the image.

I came from consumer research—so for me, understanding the compelling notions of consumerism seems the only natural way to begin a marketing assignment. The assignment begins with simple questions that need answers. Such as, why select a particular casino? Why remain loyal? Who is the real target player based on their value, frequency and promiscuity? And what are their unique needs?

Research and database marketing—my first loves in casino marketing—draw upon strikingly similar skills. As with research, analysis is the key to growth and success for database marketing. Therefore, it was natural that I would launch a database marketing company

dedicated to the gaming industry. That was 19 years ago. People I've worked with still believe I'm in the market research business.

Marketers who began in entertainment, advertising or promotions, you'd like to think, possess the same set of skills. But look to their core competency and you'll discover that they are very different. Characteristics from early in their experience tend to remain imprinted in their minds.

The folks I was lucky enough to hire or collaborate with over the last two decades have proved this to me time and time again.

What is important to entertainment marketers? It's good talent, flawless execution of sound, lighting and staging as well as a sell out audience. What is important to broadcast advertisers? It's the ability to create a compelling and likeable image that causes viewers, readers and listeners to respond to the product.

Promotions marketers seek a large

response and well-executed sweepstakes.

Database marketing demands strong statistical skills combined with player knowledge and a mastery of one-on-one communications.

Each of the above-mentioned marketers has a different view of the world of casino marketing, yet they have all learned the same marketing language and loaded buzzwords.

John Nesbit in his innovative 1980's look at the future *Mega Trends* coined the phrase "narrowcast" when comparing the communications options between broadcast and direct response marketing.

Advertising is "broadcast" and database marketing is "narrowcast."

Power tools in this context are relationship tools. Or "marketing devices that build knowledge, familiarity and personality around your casino." I have read on occasion copy from casino letters that is so impersonal it should be used in broadcast. It only gets worse in newsletters and

"Database marketing demands strong statistical skills combined with player knowledge and a mastery of one-on-one communications."

postcards. The copy that fits broadcast messaging by design does not fit narrow-cast. Direct mail and telemarketing empowers casinos to begin building very personal and customized relationships. Too often today, customized means only that the incentive sent through the mail offers a little more or less cash back based on the gamblers' rated play.

Below are four player segments you might consider when developing relationships with players:

• Newbies: This group may be seasoned gamblers elsewhere but to your casino they are new players. Casinos attract thousands every month and sometimes, unfortunately, they develop impersonal processes to manage them. When we analyze databases of gamblers, the turnover rate—or "churn" of first-time visitors—can be enormous. We sometimes overlook that new players need an orientation and education. Familiarization and personalization can be more compelling than cash and less costly, too. Remember, you only get one chance to make a first impression.

• Regulars: They are already oriented to the property, sometimes more so than management, because they spend most of their time on the floor. Frequent, regular players are like a spouse—if you don't show some TLC, they can get bored and begin to wander. More cash does not usually make up for personality. In fact, it makes casinos seem like commodities, buying players' business. To me, this is reminiscent of the defunct S&H Green Stamp Company, which gave cash back to consumers for purchases in the '50s and '60s like players clubs today. Cash is not differentiating. Loyalty is a personality issue, not a reward issue.

• Defectors: These folks are nearly invisible to management, unless you have strong analysis tools like a data-mart with data mining tools. They are the taken-for-granted players that have begun wandering to other casinos. They can be notified by fewer trips and with increased play. The communications goal is to rekindle their loyalty.

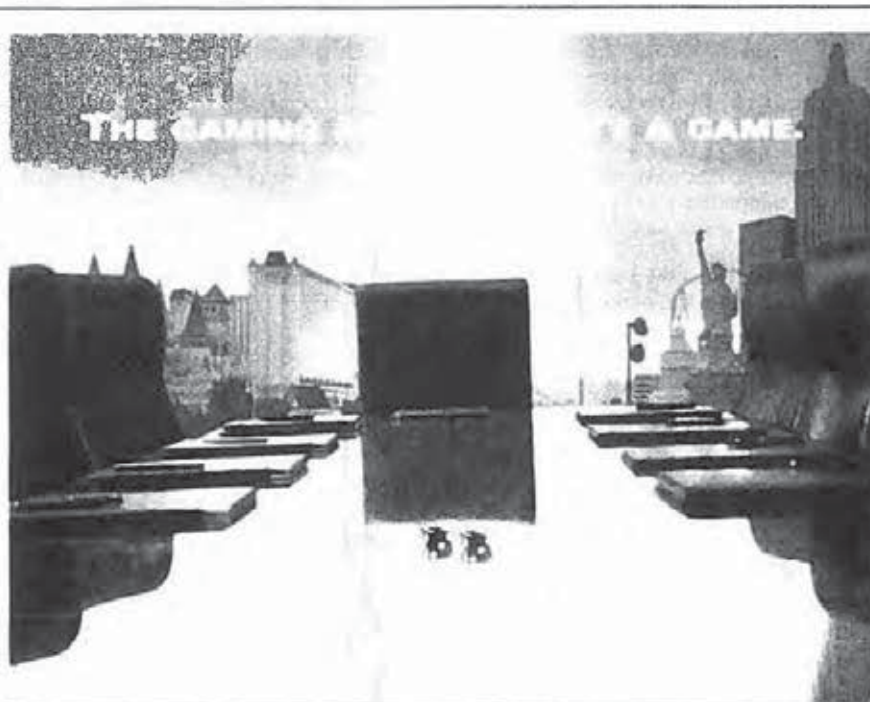
• Lapsed players: This is a tricky player segment to understand. Sometimes, they don't actually leave. They just quit using their player's card. Why? A number of reasons for this exist. They may have used their spouse's card to hype play and then they believe their collected play will move them into a higher card category. They may simply have lost interest in your players club, but still play. The problem is, without carded

play, you have no way to identify them and reward their loyalty. The door is open for a savvy competitor to attract them as their "newbie."

Communicate by acknowledging each player's life stage and you will improve relationships. Keep in mind that the majority of people you reach with mail will not respond. But you can still leave them intrigued and enticed to learn more if you appeal to their needs more effectively. Treat them as you would your spouse on the first day you fell in love

and they'll still be around to celebrate that silver anniversary. □

Gary Border is the president and founder of two successful marketing companies: Marketing Results Nevada Corporation and Marketing Results, Inc. in New Jersey. He and his team of 35 gaming experts have served the communications and marketing needs of the casino gaming industry since 1978. For more information, contact Border in New Jersey at 609-407-2777 or in Nevada at 702-361-3850 or online at <http://www.marketingresults.net>.



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The U.K.:

A nation that gambles, but fails to see the benefits



by Anton Raszubowski

The modernization of the U.K.'s outdated gambling legislation represents a sea change for the industry. The process of modernization is well underway and the industry is currently waiting for final decisions on the key issues that will determine its size, structure and future. In light of this fact, the Gambling Consultancy, in partnership with market research specialist, YouGov, recently conducted a survey of public opinion towards gambling and gambling reform in the U.K. The research focused on measuring attitudes to the proposals most likely to affect U.K. consumers—reform of casino regulation. The study represents the most recent and comprehensive analysis of the attitudes of the U.K. public towards the key proposals of reform contained in the Draft Gambling Bill.

United Kingdom—A Nation of Gamblers?

Britons show a strong propensity to gamble. Seventy-nine percent of those interviewed online said they had gambled during the previous 12 months. This is significantly more than the 71 percent overall rate of participation found by the government sponsored NOP study of attitudes towards gambling and the 73 percent overall rate found by the government's last major survey of gambling in the U.K., the National Prevalence Study.

Participation in forms of gambling in last 12 months			
	YouGov Study	NOP Study	National Prevalence Study
National Lottery	58%	61%	63%
Other Lotteries	24%	7%	13%
Scratchcards	32%	16%	23%
Football Pools	7%	5%	9%
Bingo	7%	9%	7%
Fruit Machines	17%	9%	14%
Private Bets	5%	7%	17%
Horse Races	21%	11%	13%
Dog Races	1%	4%	2%
Events at a bookmaker	5%	4%	2%
Betting Exchange	1%	Negligible	1/1%
Table games at a casino	3%	2%	3%
Internet	7%	1%	Negligible
Other	2%	1%	Negligible

**This result is unsurprising given the YouGov study is based on an Internet sample. Respondents could select multiple forms of gambling.*

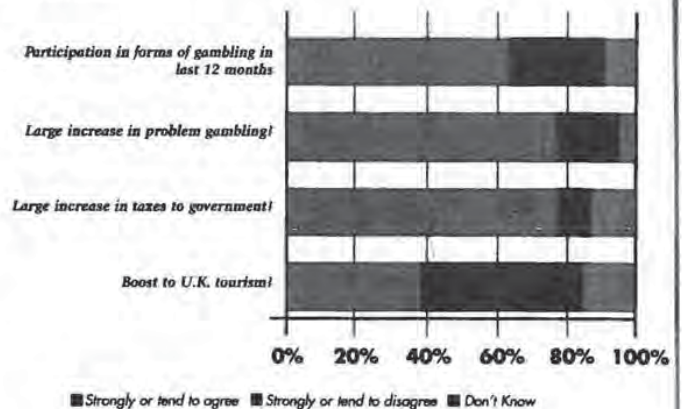
The survey was administered online. Since the Internet is widely used as a means of placing bets or gaming—for example you can now purchase National Lottery tickets via the web—it is entirely reasonable that participation in gambling could be greater for a sample with higher levels of Internet access than a sample with considerably lower levels of internet access (i.e. those of the NOP and NPS studies).

Furthermore, conventional research methods under-represent young upwardly mobile males—the exact demographic most likely to gamble (as this study reveals). Inasmuch as the YouGov sample may over-represent demographics with a greater propensity to gam-

ble, conventional methods consistently under-represent these hard-to-reach groups. It is therefore reasonable to assume the true overall rate of participation is above both 71 percent and 73 percent though quite possibly not as high as 79 percent

More harm than good

Although the majority of the U.K. public acknowledge the potential benefits of increasing the number of casinos, public attitudes toward reform are heavily influenced by concerns over the social costs. Despite widespread recognition that the modernization of gambling laws will bring benefits in the form of jobs and taxes to government, the majority of the 2,174 respondents polled from across the U.K. felt that more harm than good will come from the reforms.



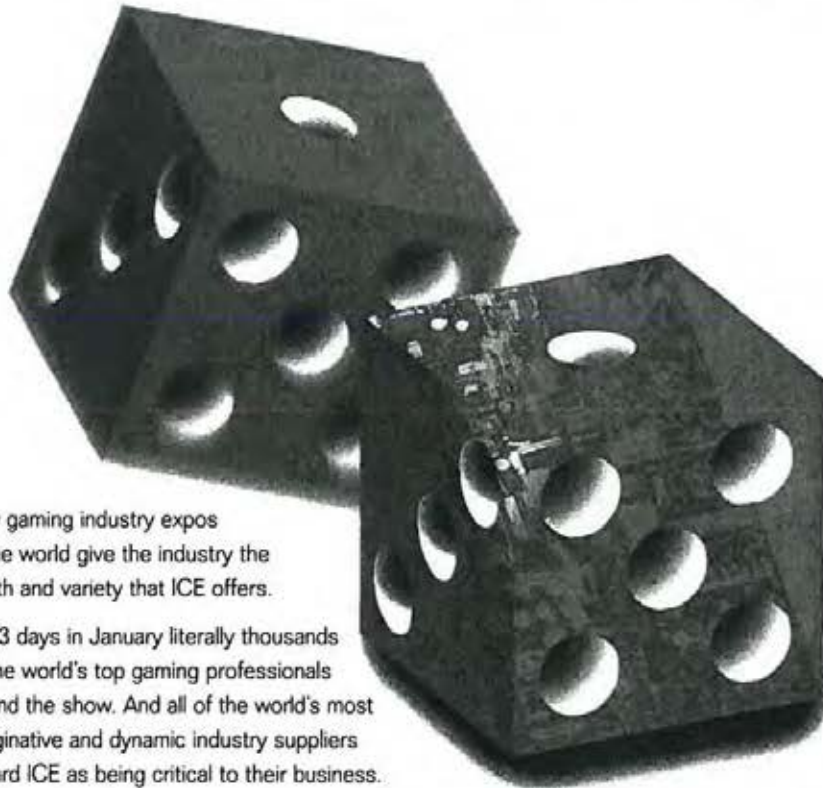
Three quarters of the public recognize that making it easier for people to gamble will produce a large increase in the amount of money paid to the government in taxes. And five out of ten people think new casinos will bring more jobs to an area. However, half of the public are not persuaded that making it easier for people to gamble and for casinos to attract customers will boost U.K. tourism.

Despite an awareness of the gains to be had, most of the public do not think the gains will outweigh the losses. Three quarters of the public think relaxing gambling laws will produce a "large increase" in problem gambling. It is this overwhelming concern that prompts more people to agree (64 percent) than disagree (25 percent) that "relaxing gambling laws will cause more problems (in terms of the increase in problem gambling) than benefits (in terms of increased tax receipts paid to government)".

The data clearly suggests that people's concerns over problem gambling outweigh the potential economic benefits that they perceive. If the gaming industry is going to win public support for modernization it is going to have to work harder to convince the public that embracing a socially responsible attitude and limiting any increase of problem gambling is, and always has been, at the heart of their commercial interests.



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Gambling on social change

The U.K. public displays considerable antipathy to casino gambling. Casino gambling is not considered to be a social activity by most people. Only a quarter (27 percent) think they could share the activity with friends or family. Age affects attitudes with a third of all 18- to 29 year olds saying they could share the activity with friends/family. This falls to a fifth of all over 50 years.

More than a third (36 percent) of the population discounts the idea of visiting a casino (if one were introduced to their local leisure facility) as part of an evening out with friends. A further three out of 10 people say they are "unlikely" to visit a casino as part of an evening out.

	Would you visit a casino as part of an evening out with friends...			
	Yes - definitely	Probably	Unlikely	No
Mean				
If a casino were introduced to your local leisure complex, how many times a year do you think you would visit it?	3.9	7.5	2.9	2.1

Base: Excluding those who would not visit / not spend anything

There is a clear correlation between attitudes towards the effects of gambling on society and intention to gamble. Those who think gambling reform will cause more problems than benefits to society say they would visit a local casino, on average, fewer than three times a year. This compares to five times a year for those who think there will be a net benefit.

	Thinking gambling has will cause more problems than benefits...			
	Agree	Disagree	Don't Know	
Mean				
If a casino were introduced to your local leisure complex, how many times a year do you think you would visit it?	3.9	2.8	2.0	2.9

Base: Excluding those who would not visit / not spend anything

A further obstacle to people visiting and socializing in casinos is a perceived lack of understanding of games, with four out of 10 people saying they would not visit a casino at a leisure complex local to them because they don't understand (or at least believe they wouldn't understand) the games one could play there. This figure remains fairly constant across gender and age groups. Concerns over gambling addiction are also apparent with significant numbers of people not wishing to visit a casino because they are worried they could get "hooked." Old age plays a factor in shaping concern with more than a third of people age 50 or older expressing this opinion compared to around a quarter of 18- to 29-year-olds.

Overall, the findings suggest that a significant increase, from its current low level of about three percent, in the propensity of the U.K. population to casino gamble is dependent on a major shift in social attitudes and behaviour. There is not a large proportion of the population that is currently predisposed to consider gambling as an acceptable activity. Casino gambling remains an unknown to most of the U.K. population, with many people either intimidated by the prospect of entering a casino or fearful of the consequences. The findings suggest that a substantial growth in the acceptability and popularity of casino gambling will take time. Acceptability is likely to occur only as a result of education. Proposed relaxation of advertising

and greater accessibility will play a major role in changing social attitudes, but it will not happen over night.

An undecided public

Interestingly, almost as many people would support plans to introduce a casino to their local leisure complex (36 percent) as would oppose such plans (38 percent). Responses showed regional differences with people in Scotland and the North more positive about new casino developments in their locality than those in other regions. Nevertheless, in general, people still harbor many prejudices about the effects of a new casino on an area, although more than half think more jobs would be created. People's concerns were focused on increases in problem gambling (especially among the young), increases in crime, including late night noise and other public disturbances. In fact, a third of all people surveyed believed that a new casino would bring more crime to an area. This opinion was particularly prevalent amongst people over 50.

The emergence of U.S.-style entertainment and leisure gambling complexes has long been touted as the major result of the modernization of the U.K.'s gambling laws. International experience suggests that consumers show a strong propensity to gamble when it is presented to them as part of a combination of leisure and entertainment opportunities. Asked what would attract them to a mixed gambling and leisure venue, U.K. respondents exhibited a strong interest in non-gambling activities. Non-gambling activities (e.g. restaurants, cinemas and live entertainment) are attractive to as many as three times the number of people attracted to the most popular form of gambling (i.e. table games.) Significantly, only one in five people attracted by a non-gambling activity say they would be likely to gamble during their visit to a mixed gambling and leisure venue. However, the research showed that younger age groups tend to be more attracted by gambling activities as part of a combination of other leisure activities than older age groups.

The results suggest that an entertainment and leisure-led gambling strategy is likely to generate the most footfall. Experience suggests that a significant proportion of consumers are likely to try gambling at some point during a succession of visits.

Resort casinos

Over a quarter of the U.K. population would support the introduction of large resort style casinos to holiday areas, while three out of 10 people remain undecided. Again, regional differences are apparent, with more people in Scotland and the North supporting this scenario than in other regions.

Those people that would visit a resort style casino (i.e. excluding those that said zero times a year) say they would, on average, visit a resort style casino twice a year. On average, people that would spend at least £1 at a resort style casino per year (i.e. excluding those that said £0) expect to take £155 with them to spend on gambling.

	Male			Female			
	18 to 29	30 to 50	Over 50	18 to 29	30 to 50	Over 50	
Mean Score							
If large casinos were introduced to holiday resorts in the U.K., how many times a year do you think you would visit one of these resort casinos?	1.9	1.8	2.3	2.3	1.6	1.6	2.4
And how much do you think you would take to spend on gambling for each visit? (Please tell us only how much you would be able to take with you to spend on gambling)	£80	£102	£116	£83	£46	£34	£50
How much do you expect to spend on gambling per year?	£155	£184	£256	£190	£73	£84	£118

Base: Excluding those who would not visit / not spend anything

On average, people that have gambled in some form or another within the past 12 months say they would spend £160, visiting twice a year and taking approximately £80 per visit to spend on gambling. On average, spending for those that have not gambled in the last 12 months equals approximately £78 per year (1.2 X £65.)

Public cautious over slot machines

The majority of the public think it acceptable to place fruit machines in venues that operate with age restrictions on entry. However, only a small minority believe it is acceptable to locate machines in venues such as cinemas, restaurants, cafes and taxicab offices where age restrictions are not in effect. Clearly, the public is concerned about exposing younger generations to gaming machines. These concerns color public attitudes towards most gambling reforms.

A majority of the public thinks it acceptable to place slot machines in venues where they can be currently found, including pubs, clubs casinos, arcades, betting shops or bingo halls. A quarter of the public think it acceptable to place machines in airports or roadside conveniences, while even fewer people think it acceptable to place them in cinemas or restaurants. These trends hold true for those who play fruit machines as well as those who do not.

The government response

The public's concerns over the potential social cost of an increase in the availability of gambling opportunities as well as access to

gaming machines was echoed by the U.K. government's recent response to the Joint Scrutiny Committee's analysis of the draft gambling bill. Concerns over social responsibility were at the heart of the government's harsher than expected restrictions on machine to table ratios and Category A jackpot gaming machines.

Despite being disappointed by what is widely seen as a dilution of the overall opportunity, the industry is in full support of a socially responsible approach to modernization. Russell Hoyle, CEO of gaming machine manufacturer, Leisure Link, recently called for an increased focus on social responsibility. "Irrespective of where you sit in relation to this act, we will all lose unless the industry clearly demonstrates its social responsibility credentials. . . all of our organisations should start to develop social responsibility programmes and be able to demonstrate clear evidence of them," he said

The current measured approach to reform being proposed by the government appears to strike a more harmonious chord with public attitudes towards gambling in the U.K. Based on this more conservative approach, an early bill now looks more likely. Parliamentary time is rumoured to be scheduled for the last quarter of 2004. Over the long term, the quick introduction of a new gambling regime with strong cross-party political and public support will create many new opportunities for the industry. □

Anton Kaszubowski is a director of The Gambling Consultancy Limited. He can be reached at +44 (0)7879 691 851 and by email at anton.kaszubowski@thegamblingconsultancy.co.uk.

Locating slot machines*

	Total %
<i>At which of the following locations, if any do you think it is acceptable to place slot machines? [Please tick all that apply]:</i>	
Pubs & Clubs	78
Casinos	78
Arcades	75
Betting shops	69
Bingo halls	65
Sports clubs	39
Airports	25
Roadside conveniences	25
Taxi offices	22
Cinemas	17
Cafes & restaurants	17
None of the above	10

*Based on a sample of 2174 respondents



Gaming Flames Fanned in Florida

*November referendum would
permit slots at parimutuels*

by Roger Gros



Gulfstream racetrack will be home to a racino if Florida voters approve a November referendum, even though its owner, Magna Entertainment, has not contributed to the campaign.

Petitioners in South Florida have gathered the required signatures to place a referendum question on the November ballot aimed at legalizing slot machines at racetracks and jai alai frontons in Broward and Miami-Dade counties.

The ballot question will ask voters if Florida's constitution should be amended to permit the racetrack slots. The state Supreme Court has already approved the ballot language, and backers gathered nearly 512,000 signatures well more than the threshold for a constitutional amendment question.

If voters statewide approve the measure, slots would be added to the facilities only after local voter approval. The governing boards in Broward and Miami-Dade counties would conduct local referendum votes to allow slot machines at racetracks and jai alai frontons. The measure would earmark any tax revenue earned by the state from the slots to education.

Florida horse and dog track owners have pushed for the referendum as a way to save an industry that is withering under competition from Indian casinos and cruise ship gaming. Proponents also are pushing the measure as a way to give education funding a boost at a time when state budgets are strapped. Supporters estimate that slots would funnel \$435 million in tax revenue to state education agencies in the first year, and some \$2.34 billion over the first five years.

Alan Koslow, a partner with Becker & Poliakoff in Ft. Lauderdale, helped to organize the petition, called "Yes For Local Control," and believes there is a good chance that it passes.

"Things have changed quite a bit in this state in the past 10 years," he says. "And by limiting the gaming to Broward and Miami-Dade counties, I believe it takes away many of the concerns many people would have about locating slot machines in or near their communities."

Earl Bender, the effort's campaign manager, is "cautiously optimistic."

"At this point, six weeks from election day," he said in September, "we have no organized opposition. We're sending a very positive message to the voters of Florida about the good things that will happen if we get this passed."

Bender says polling shows that a little over 50 percent of Florida voters favor the measure.

The referendum does not specify who would operate the slots. Organizers reportedly would prefer that the state lottery commission

not be involved, but legislators may insist on oversight from this organization.

Bender says the organization is dedicated to transparency and public accountability for the slots, and points out some questions about the distribution of lottery revenues in Florida.

"We believe that the correct oversight for this activity should be the state's department of business regulation, which currently oversees activities at the racetracks," he says. "But we'll leave that to the enabling legislation. We're just trying to get this thing passed."

Proponents of the latest referendum hope to reverse a history of gambling measure rejections by Florida voters. A 1978 measure, which would have authorized state-regulated, privately owned gambling casinos in eastern Miami-Dade and southeastern Broward, was defeated by more than a million votes. A 1986 ballot item that would have authorized county voters to approve casinos in hotels larger than 500 rooms failed by more than 1.2 million votes. In 1994, voters rejected a measure by almost a million votes that would have allowed casinos in nine counties, and parimutuel facilities statewide.

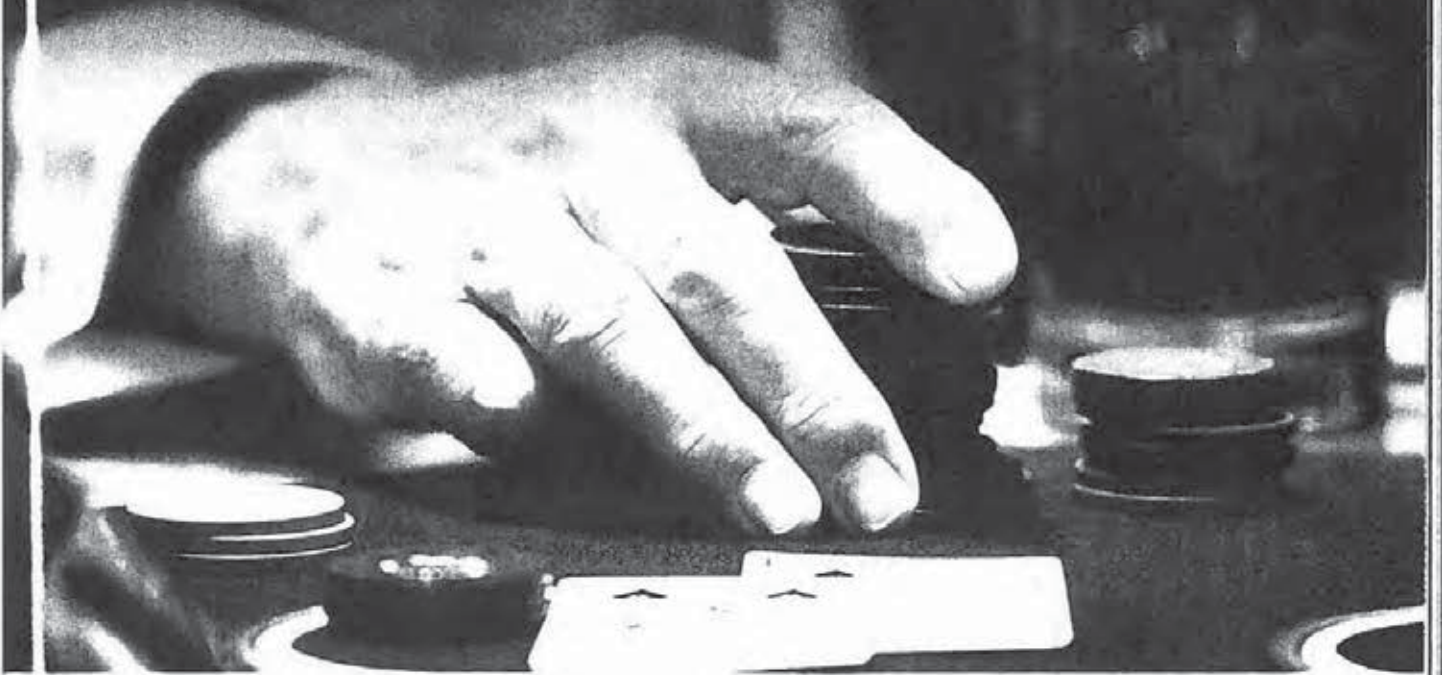
However, supporters of the new referendum point to the fact that all of the gambling facilities would be in Broward and Miami-Dade counties, making it local more than a statewide issue.

Some opponents say legalizing racinos in South Florida will open the door for the Seminoles and other Indian tribes to move from their current Class II gaming operations to full-blown Class III gaming—which an attorney for the Seminoles said is true. "This would also force the state to negotiate with us to allow the same thing the parimutuels get," attorney Jim Shore said.

Major opponents have not surfaced, however. Tracks in other counties are watching and not taking any position. Previous opposition leaders included the former Governor Reubin Askew, now retired, and Jack Eckerd, the drugstore magnate, who passed away in May 2004. Current Governor Jeb Bush, while opposing gaming expansion, has not vigorously campaigned against the measure.

The major contributors to the campaign include four racetracks: Pompano (Isle of Capri), Calder and Hollywood (both owned by Churchill Downs), and the independent Flagler dog track. Several jai alai and slot manufacturers have also contributed small amounts of money, but Magna Entertainment, the owner of Gulfstream, had yet to pony up any contribution as of mid-September, according to Bender. □

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A Guide to Good Gaming Regulation

Transparency in tribal gaming regulation is a necessity

by Harlan W. Goodson

Congratulations! You are a fairly new tribal gaming regulator and you have just made your first recommendation for action against the slot department of your tribe's casino. This is why you were appointed. You're on the job. Yet, you can't help but wonder why it is that the tribal council is not pleased with the gaming commission. You ask yourself, "Isn't this why they appointed us? Why is this happening? Besides, aren't we supposed to be autonomous?"

The job of the tribal gaming regulator, like the commercial gaming regulator, is to instill public trust and confidence in the gaming environment by ensuring that gaming is conducted honestly, competitively and free from criminal and corruptive elements. Gaming regulators—tribal and commercial alike—must operate unencumbered by the political process in order to be effective. For some, this incorrectly means that the tribal gaming commission must be an autonomous body, accountable only to itself.

In both the tribal and non-tribal setting, the regulatory agency is a subdivision of the respective government and necessarily answerable to some higher authority. In the tribal setting, this generally means that the gaming commission is accountable to the elected leaders of the tribe. This is compounded by the fact that Indian

gaming is government-owned gaming. Those same political leaders are also owners of the casino. How then can tribal gaming commissions be effective in the regulation of tribal government gaming, especially when at the same time avoiding the various pitfalls that lie ahead of them because of this unique government ownership? The answer may be found in one very important word, "communication."

Communication in the context of government means creating a process that allows citizens (in this case, tribal members) to understand how government decisions are made and, where appropriate, fosters participation. This is commonly known as "transparency" and takes many forms. The following three examples are offered as possible ways of increasing effectiveness and minimizing conflict for the tribal gaming commission.

The Budget Process

Budgeting in government is essentially a process of allocating limited resources to services and activities in a manner that will effectively meet the needs of the community. All too frequently, government agencies think of the budget process strictly in fiscal terms. The budget, instead, should be viewed as both a fiscal and policy document. Historically, budgets have been written and presented for approval in simple line item format. This type of document is merely a set of function descriptions with corresponding numbers representing the projected total cost for a

specific function for the upcoming budget year. The total of all functions is the annual budget for the agency. A line item budget does not answer any questions about how or why money is spent.

One proven way of enhancing transparency within the government is to convert the line item budget into a program budget. Program budgeting brings together line items with narrative and quantifiable statistics. Each function within the organization is generally described so that the approving body understands exactly what the agency's work entails.

Additionally, work-load data is offered to support the appropriation request. The end result is that the agency expresses its policy through the narrative portion of the budget and justifies its request for appropriation with quantifiable data collected over the previous budget cycles. If no historic data exists, comparable data from agencies of similar size doing similar work can be collected and used to justify a particular expenditure. Moving from line item to program budgeting frequently makes the budget process relatively painless, because the policy makers have a full understanding of where and how the money is spent.

Reporting

The tribal gaming commission should be viewed as any other government agency and should deliver frequent and comprehensive reports to the tribe's governing body. For example, in the traditional non-tribal municipal council form of government, regular public meetings are held with department heads present to deliver comprehensive reports on the activities of their respective departments. In this example, the government agency is held accountable to both the governing body and the public.

The tribal gaming commissions may want to consider adopting this format for communicating with the tribal council. It is important to note that keeping your tribal council informed does not mean revealing sensitive information that may compromise an investigation or the regulatory function. However, good communication does mean that the tribal council is never caught off guard or surprised by the actions of the gaming commission.

Rule Making

Promulgating regulations to be applied to the gaming operation is the essence of gaming regulation. All too frequently, however, rules are adopted without fully understanding their impact on those being regulated. In addition to the duties previously stated, tribal gaming regulators are charged with the additional duty of protecting the tribe's assets—the casino. Having a strong scheme of regulation is just one half of the equation.

The protection of the tribe's assets also means allowing the operation the maximum amount of flexibility to return the greatest possible profit to the tribe. This can only be accomplished if the regulators have a clear understanding of the impact of their rules. Communicating with casino operations is critical to this process. By allowing those affected by a proposed rule the opportunity to comment and offer suggestions before a rule is adopted, the tribal gaming regulator stands a better chance of creating effective and enforceable rules while at the same time respecting commercial viability.

The effectiveness of the tribal gaming commission is dependent on open lines of communication. A policy of transparency is a necessary to that end. ■

Harlan W. Goodson is an attorney with the national law firm of Holland and Knight. His practice focuses on Indian law, gaming law, and governmental affairs. Goodson is the former director of California's Division of Gambling Control and he is a member of the International Masters of Gaming Law. He can be reached at 916-503-1695 or at harlan.goodson@hklaw.com.



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Training Day

How to get the biggest bang for your training buck

Dave Newton



For many organizations, training is largely a waste of money. This doesn't mean that training isn't valuable. It is. The problem is that after an employee's first few months on the job, training by itself is likely to have very little impact on performance.

When employees are new, they are most open to learning how you want things done. Once habits have set in and employees start feeling a bit more comfortable in their jobs, training alone is usually not enough to get people to change how they work.

Let's look at why this is and what to do about it.

Training vs. Performance

Human performance is based on three things: Knowledge/skills; Motivation; and Resources (time, equipment, materials, information, money.)

Training only deals with the first criterion, knowledge and skills. If the problem is solely related to lack of knowledge, training is fine. However, many times an organization will see a performance problem and assign the training department to come up with a program to solve it. Their expertise and authority lies in training, so the solution they present is training. But often the bigger problem is motivation. Getting people to change behaviors is difficult—old habits die hard. Without compelling reasons to change, trainees go back to work and do pretty much what they used to do.

The Solution

So how do you get more impact from your training? There are four key things you can do.

Involve the trainees' managers

The first reason to talk to these managers is to get their view of the causes of the performance problems. You may find out the problems have little to do with employee skills or motivation. If the problems are mainly caused by lack of resources, training would be a waste of time.

Second, find out specifically what the managers and supervisors of the trainees

'Once habits have set in and employees start feeling a bit more comfortable in their jobs, training alone is usually not enough to get people to change how they work.'

would like to see happen as a result of the training. This information helps the trainer make the training more interesting and relevant to the trainees' jobs. Finally, involving managers up front makes it more likely that they'll provide the support critical to the training's success.

Train managers in their roles

One of the biggest reasons training fails is that the trainers view their responsibility as what happens in the training room. They assume that the department managers are responsible for following up with employees after the training to insure the employees do what they are supposed to do.

The department managers, who generally have little or no input into the training and are busy with their own daily routine, take no ownership in the result. They expect the trainers to send back people who are trained to do what they're supposed to do. Because they weren't involved up front, managers often aren't prepared or willing to do what they need to do to encourage behavior change.

Managers and supervisors have two main responsibilities following training. The first is to model the behaviors that employees are being taught. If managers don't lead by example, most employees won't make the effort. And the managers can't effectively hold employees accountable if they (the managers) don't walk the talk.

The other responsibility for the managers and supervisors is to encourage employees who use the newly learned behaviors, promptly coaching those who

do not. If the management team is not ready to do this, and allows employees to do what they want to do without reaction, it doesn't make sense to train the employees. People often don't like to try new behaviors, because they feel uncomfortable doing something different. If the employees don't see any reason (i.e., attention from the management team) to go into this uncomfortable place, they won't. If your managers are not comfortable and skilled at giving feedback, train them first.

Ideally, there should be a systematic way for managers to observe employees utilizing the new skills. For example, each manager and supervisor is assigned certain employees to observe and give feedback to each week. The results of the observations should be documented and made part of each employee's performance appraisal.

Measure results

If the training has a measurable outcome, such as customer service, sales, productivity, etc., it's immensely valuable to establish some kind of measurement of progress and post it where employees can see it. This communicates that the company is serious about change and focused on improvement. This can be done on an individual or group basis. Remember, what gets measured gets done.

Reward Excellence

It's hard to get people to change behavior. It helps a lot for those who make the effort to get recognized. If you've set up a measurement process, it's easy to set up a recognition process. Again, this can be on either the group or individual level. Besides thanking people who have worked hard, recognition programs are great for bringing some fun to the work place. □

Dave Newton is a human performance consultant with Compton Dancer Consulting in Las Vegas. He has 20 years experience in human resources, including six as vice president of human resources at the Venetian. He can be contacted at Daveunewton@aol.com.



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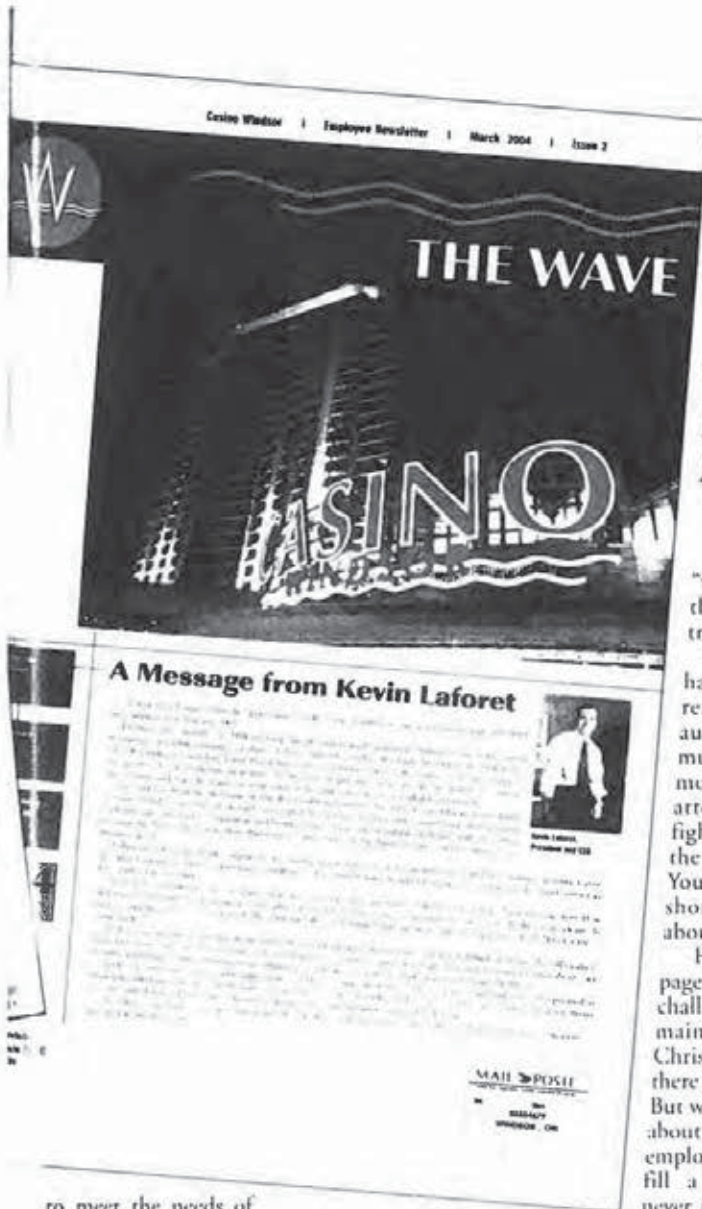
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Relying on printed products alone will not fully satisfy the communication needs of your busy employees. If they don't pick up your newsletter, you haven't reached them.

"why" and "how" of the information you're trying to get out.

Even though you have room to explain, remember that your audience doesn't have much time. You have a moment to grab their attention, and you're fighting to keep it until the end of each article. Your stories should be short, interesting and about them.

Filling a weekly, four-page newsletter can be a challenge, because like the mainstream media on Christmas Day, sometimes there just isn't much news. But when your newsletter is about your staff, and you employ enough of them to fill a small town, you'll never run out of interesting stories to write. The newsletter is where you recognize employees,

introduce them to each other, entertain them, educate them about your marketing campaigns and explain how they fit into the larger picture.

Visual Mediums

Relying on printed products alone will not fully satisfy the communication needs of your busy employees. If they don't pick up your newsletter, you haven't reached them. A medium like an in-house TV channel provides quick bits of news, supporting your print material in an entertaining, familiar format. At Casino Windsor, "Casino Vision" content includes

the latest TV commercials, video montages from staff events, baby photos, the weather forecast and "Station IDs" delivered by employees, turning this medium into a dynamic product.

Your TV channel also allows you to quickly broadcast emergency information, building credibility with your audience while meeting their needs during a crisis. Most forms of electronic media will allow you to get messages out almost as they happen. Salinas explained that their "Barona News Network," which is a PowerPoint slideshow shown on monitors in staff dining rooms, can also be instantly updated with late-breaking news and information.

Mail-Home Publications

Communicating with employees while they're at work is just one way of reaching your busy audience. Mailing a newsletter home allows them to absorb information they simply don't have time for at work. You're still competing for their attention with other mail and the distractions of home, so you must make your publication compelling and attractive.



Because the employee's spouse or family will likely read this material, be sure the writing is at the appropriate level. For example, Salinas explained, the *Barona Backstage* is a monthly newsletter mailed to employees' homes to inform staff and their

to meet the needs of our staff. Whether they prefer to hear, see or discuss information, we have the tools in place to reach and satisfy them," he said.

Like Barona, Casino Windsor uses a range of products including a weekly newsletter, a staff TV channel, a quarterly newsletter and an intranet site to reach more than 4,000 employees. It's important to understand the specific uses of each product, so you know what messages to filter through which mediums.

Employee Newsletters

A weekly employee newsletter, in all its many forms, is likely the most popular internal communication tool in any company. When crafting a newsletter, it's important not to confuse information with communication. Take advantage of this medium by using the space to frame your messages within a context. A newsletter can give your employees the

An effective employee communication plan with formal and informal elements can change the atmosphere of your busy break rooms.



families about department functions, coworkers' profiles, promotional events and activities, with sections translated into Spanish.

In a mail-home publication, you can reinforce the messages about your company's goals that you've been sending out more frequently in your other mediums. For example, Casino Windsor's quarterly newsletter *The Wave* includes a letter from Kevin Laforet, president and CEO, which gives employees a direct "view from the top" of the company and their role within it. Presented in a conversational style, the reader understands the big picture and how their actions move the company closer to its goals.

One-on-One Communication

All employee publications and visual mediums work together to represent the formal elements of your internal communications plan. But despite all your efforts to create great "products," they will not carry any credibility if they are not supported with a foundation of informal, face-to-face communication.

"We find ourselves often assuming employees will fully understand what we e-mail or post in a memo to them. This is not the case, as they are mere words," explained Maiden. "Our industry is built upon personal interaction with guests. The same should be considered when management works together with employees. Communicating can be effective only if both parties are on the same level."

Getting on the same level means engaging your staff, from all areas, in programs that allow senior management and staff to speak one-on-one. At Casino Windsor, regular lunches with executives, town hall meetings and other open forums are used to create an avenue for "upward" communication.

"In the same way you wouldn't tell a



friend something very important—good or bad—just through a letter, your staff deserves the same treatment by creating opportunities to speak to them in person," Laforet said. "In turn, this also sends the message that you value their input. It's a constructive forum for executives to field questions and to be introduced to staff you wouldn't otherwise have an opportunity to meet."

Your communication products can also work to increase the amount of face-to-face interaction, like Barona's daily e-

mail called the "Pre-Shift." It is sent to all supervisors to read with their staff, explains Salinas.

"In English and Spanish, the Pre-Shift gives us an excellent vehicle for providing company-wide news, while promoting daily discourse with supervisors and their subordinates. Instead of just simply 'pushing' information to staff members, the Pre-Shift promotes communication between the staff and their supervisors and themselves," he said.

An effective employee communication plan with formal and informal elements can change the atmosphere of your busy break rooms. You can turn a formerly disconnected group into an interested audience who are glancing at the TVs and emptying the newsletter stands every Friday. There's a buzz about a department that found a way to save thousands a year, and John, your floor supervisor, glows with pride each time a coworker mentions they saw his newborn daughter's photo on the staff TV channel. They're ready for customer questions about your new slot tournament and the discounts in the hotel this week. Through interesting articles, short news clips and graphic newsletters, you've helped educate them about your property, about their role in providing customer service and most importantly, you've earned their trust. □

Holly Ward is director of corporate communications for Casino Windsor, in Windsor, Ontario and can be reached at 1-800-991-7777 or at ward@casinowindsor.com. Ward, together with Andy Maiden, director of internal communications for Caesars Entertainment, and Rick Salinas, assistant general manager for human resources for Barona Valley Ranch Resort and Casino, will be discussing effective employee communications during a panel session on October 4 at Global Gaming Expo (G2E).

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Spielbank Hittfeld, Germany and message announcing closure of table games on August 28



Old games, old Europe

In Germany, slots now account for over 75 percent of casino revenues. Do traditional table games have a future?

by Ian Sutton

On August 3, 2004, the *Hamburger Abendblatt* carried a story detailing the closure of table games at Spielbank Niedersachsen's Hittfeld Spielbank, which is located in Lower Saxony.

At first glance, one naturally thinks this was simply another case of declining table play and increasing costs, resulting in an operator deciding to place more slots and have electronic, rather than live table games. The article quotes the official reason given for the closure as a "1.8 million Euro table games deficit that the group can no longer carry."

The closure in Hittfeld, however, is somewhat more complicated, and this was detailed in the newspaper over the following two days.

From 1993 to 2000 there were various frauds committed at the property that netted those responsible several million Deutschmarks.

The 60 or so members of the table staff, which has been made redundant now, believe they are the victims of previous failures to properly oversee the operation.



Main operation of Schleswig-Holstein Casinos

Rural location

Although only 10 miles south of the center of Hamburg, the Hittfeld Spielbank is located in the middle of a quiet and very picturesque town surrounded by open fields and woodlands.

On a recent visit during a beautiful late summer Saturday afternoon, the local church was getting ready for a wedding ceremony and the residents and visitors seemed more interested in devouring ice cream at the cafes and restaurants than in the slots opening for business at 3 p.m.

The casino itself is a box-like structure appended to the back of an attractive brick-and-timber framed restaurant on the main street.

Tables and slots had been separated, as is the case in most German casinos, with just the bar connecting the two. Just four days after closure, the tables had already been removed and the room was in darkness.

On the outside door was a simple message posted to customers informing them of the closure and thanking them for their patronage over the years.

By 5 p.m., the Novomatic Auto Roulette carousel was



full, mainly of middle-aged gents recording numbers and trying out their systems, as they had no doubt been doing for many years on the live games. The 100 or so slots, a mixture of old and new Novomatic, Atronic and Bally had some 30 players.

The closure will surely be a loss to the town of Hittfeld, but given the unfortunate history of the casino and its location, such a large table operation had done very well to last so long.

But the closure of the table games at the Hittfeld Spielbank surely comes as no surprise to Otto Wulferding, the general manager of Spielbank Hamburg, which operates six casinos. Two of them—the flagship property in the Intercontinental hotel and the Casino Reeperbahn, both of which are in Hamburg—offer a mix of traditional table games and slot machines. The other four, located on the outskirts of Hamburg, are “Automatenspiel,” which essentially are slot parlors with electronic table games and a €1 entrance fee.

The revenue split between tables and slots in the two full-scale Hamburg casinos is 25 percent to 75 percent, slightly better for tables than the national average in 2003. (See accompanying chart.)

Wulferding believes that table games and slot operations located in metropolitan areas have a distinct advantage over more remote locations, especially those established in spa and coastal towns where business may be seasonal.

In 2005, he will oversee the move of the Spielbank Hamburg from the Hotel Intercontinental to a more central location at Stephansplatz.

While not certain of the final slot and table mix in the new casino, Wulferding commented that “special emphasis will be given to tables, with new games introduced and a larger variety of betting options available for the customer.”

More emphasis on marketing

Ironically, considering the traditional slot bias of U.S. casino customers, Wulferding’s vision is based on what he sees in the performance at the Borgata in Atlantic City. He believes Spielbank Hamburg will also attract a new and much younger crowd if tables are given more emphasis in marketing—a trend he has observed already at the company’s blackjack tables.

As the graphic reveals, slots certainly have become the dominant revenue earner in Germany. Three casinos in Niedersachsen have now removed their tables and more could follow.

Germany is unusual in the respect that among the 16 regions (Länder), individual operators have a monopoly but pay gaming taxes that average around 80 percent or more. The games permitted are limited and, as mentioned already, slots and tables are usually separated. Casino staff and much of management are paid 100 percent of their salaries from tips (called trinkgeld), with a guarantee from their employer if there is a shortfall.

German operators, as in many western European coun-



German Casinos and Spielbanken

Tables and Slots as a Percentage of GGR

Year	Tables	Slots
1970	100%	0%
1980	90%	10%
1990	55%	45%
2000	30%	70%
2003	23%	77%

Source: DeSIA/M.Hein

Wolfgang Schmidt, Director of Casino Kiel (I) and Matthias Hein, General Manager/Geschäftsführer Schleswig-Holstein Casinos

Graphic showing decline in table and increase in slot revenue since 1970 (r)



Q&A with Matthias Hein

To get a clearer picture of the challenges facing casino operators, Ian Sutton spoke with Matthias Hein, the spokesman for DeSIA the Deutsche Spielbanken Interessen und Arbeitsgemeinschaft, or casino association. Hein also is the general manager of Schleswig-Holstein casinos, which operates five casinos in northern Germany, including one slots only casino at Westerland/Sylt

Ian Sutton: Hittfeld Spielbank has just closed and removed their table games. Is this something of a surprise to you?

Matthias Hein: The casinos in Hittfeld, Hamburg and ours in Schenefeld compete in the same regional market. However, the GGR alone does not determine whether a casino survives. In times of declining revenues, the individual cost structure is vital to keep up profitability. And every operator will tolerate losses for a limited time only.

Are most members of DeSIA also seeing their table games struggle, or are some regions and locations fairing better?

DeSIA still views table games as a core business for their casinos despite the recent decline in table revenues in most regions. This we believe is mainly due to recessionary conditions in Germany and the resultant slowdown in consumer spending. We are, however, experiencing an encouraging upswing in some areas, but with the prevalent taxation, rates some locations are still endangered.

German casinos are indeed highly taxed and regulated. Are you permitted to offer some of the newer table games with progressive jackpots?

This depends on the individual policy of the many different state gaming authorities, some are very liberal and allow attractive jackpot features. Others are more restrictive, especially when it comes to who will pay for the jackpot.

Tables and slots are usually separated. Is this by preference? If they were combined would this be a better arrangement?

Again there is no common solution. Some operators have successfully combined slot and table games under one roof. In many locations, however, the given building and the floor plan simply do not allow placing the games together. In my personal opinion, the future lies in a combined operation. Table games and slots don’t interfere—instead, they enhance the attractiveness of gambling while reducing the staffing requirements at the same time.

tries, have seen declines in attendance in recent years as Internet gaming and sports betting become increasing threats.

There is, however, much to be positive about. DeSIA members are still very much committed to tables, and Hamburg Spielbank's performance in their new premises in 2005 and beyond will be watched very closely.

In 2006, Germany will host the Soccer World Cup and the nation's casinos will proudly play an important role in the entertainment mix for many thousands of International visitors.

So reports of the death of tables completely seem somewhat exaggerated. The patient, however, would certainly be a lot healthier if the tax burden were not such a heavy one upon their owners. □



Casino Reeperbahn, owned by Spielbank Hamburg



What are you as an operator doing to boost attendance and stimulate an interest in table game play?

We have tried all kinds of first-time-visitor acquisitions, and we now concentrate on our actively gambling customers and try to make them feel "at home." In addition we have developed loyalty programs and give incentives for them to bring in their friends. To fill up capacity, we put our cocktail and beverage business in focus to attract non-playing visitors as well, hoping for some spill over in the future.

Do you see more spielbank's removing their tables and going with all electronic gaming in the future?

Unfortunately, for German casinos the good times of continuous expansion are gone. The German market for table games is saturated and indeed many locations will have to adjust their table capacity according to declining customer demand. Under a given set of parameters the operator is forced to respond on a shift in demand like in any other industry sector as long as he wants to stay in business.

What do you see ahead for the German casino industry?

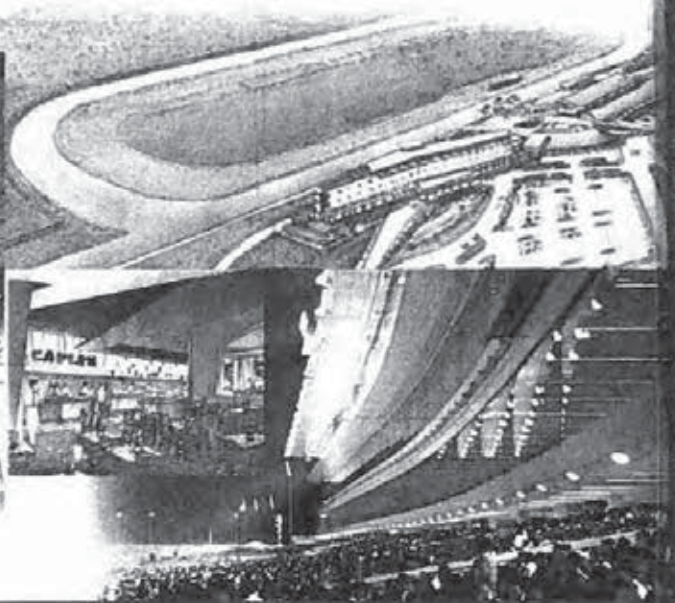
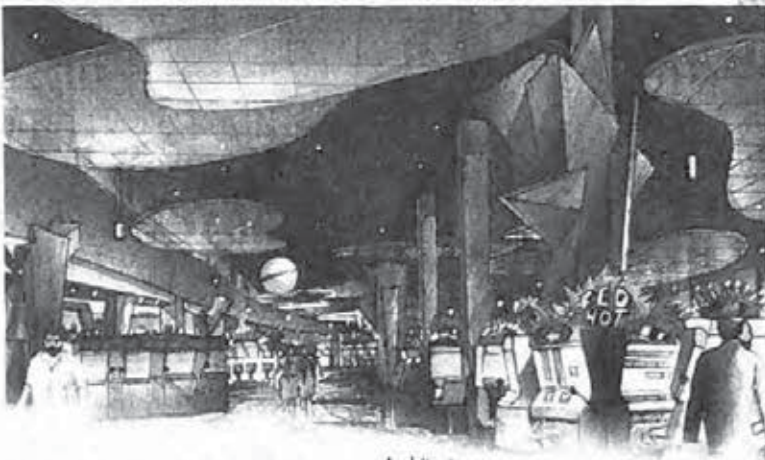
Technology and new features have always been the driving force of change in every industry and this holds true for our service industry as well. Online gaming is the new kid on the block; however, the German gaming laws expect the licensed casinos to channel and take care of the gaming habits of the public. We cannot leave this business to foreign entrepreneurs who may wish to enter the business for profit reasons only and who often lack civil responsibility for player protection. The future for German casinos will therefore be threefold: table games, slots and remote gambling. □

Ian Sutton is director and online editor of Gamingfloor.com.

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When Standards Equal Excellence

Gaming Standards Association strives for industry conformity

Everyone understands and relates to the difficulty of trying to communicate with someone who does not speak the same language. Even basic communication becomes challenging.

During the last decade, those "language" barriers in slot-machine protocols and systems from a technical standpoint have complicated the gaming industry. The result is manufacturers and operators having to learn a variety of "protocol languages," product downtime and thousands of dollars spent on labor trying to configure machines.

Finally a group of slot and operating equipment manufacturers (OEMs), and casino operators made an unprecedented move—they joined forces.

The conception of this forum called the Gaming Standards Association (GSA) was structured to create development solutions for the good of the gaming industry.

"We were reaching the existing limitations for slot protocol," said Gregg Solomon, chairman of GSA and senior vice president of operations for the Mandalay Resort Group. "We needed some new solution to be developed."

From point-of-sale and bonusing to casino management and player tracking systems, the casino industry has a myriad of systems in place, many of which speak different technical languages. Without a set of broad-based communication standards, the gaming industry lags behind several other industries that rely on computer technology.

According to Peter De Raedt, president of GSA, operators and manufacturers need a common platform to operate more efficiently.

"Extraction of information is very difficult in most cases for operators to get quality data quickly based on the number of different languages and systems in place," De Raedt said. "There is no uniform format for operators to use. Standardizing is the answer."

The solution appears to be GSA-produced "Best of Breed" or BOB standard. Designed to speak a simple and single slot language, BOB could revolutionize the industry and allow both manufacturers and operators to become more innovative.

GSA officials said they expect to create a "unified language to exchange information," De Raedt said. "Systems are playing a critical role in casino operations and this single-language system would standardize the industry."

A history of need

Based in Fremont, California, Gaming Standards Association is the evolution of a group of slot manufacturers, who organized in the 1990s under the name GAMMA to consider integration and standardization.

"There was a need in the late 1990s to standardize interface and develop a standard to integrate bonusing into slot machines," De Raedt said.

What began as just a gaming manufacturers association, GAMMA decided in March 1999 to allow operators to join the quest for standardization. As a result, GAMMA became Gaming Standards



At G2E 2003, Bally Gaming & Systems' Jim Morrow, who is the BOB Committee co-chair, presented the Best of Breed project to a packed house.

Association. Since then, the GSA has grown to 73 members including a growing number of casino operators including Harrah's Entertainment, Mandalay Resort Group, Station Casinos and Boyd Gaming.

"The industry was very exclusive and enclosed for many years and has only grown in the last decade internationally," said Val Levitan, a member of GSA's board of directors and a shareholder with CashCode Company Inc.—a Canadian-based manufacturer of gaming products. "Because of growth, there is now a need for standards in the industry. These technical standards will influence engineers globally in our industry."

According to De Raedt, GSA membership is still mostly comprised of manufacturers—46 percent of GSA is made up of manufacturers, while operators account for just 19 percent.

Created with clear-cut goals

A non-profit international trade association representing gaming manufacturers, suppliers, operators and regulators, Gaming Standards Association facilitates the identification, definition, development, promotion and implementation of open standards.

"GSA is trying to create a standard to assist in the implementation of slot protocol across the board without having install issues in the field," said Steve Sutherland, a member of GSA's board of directors and executive vice president and chief operating officer of Konami Gaming, an international company and industry leader in high-tech video slot and video hybrid gaming machines."

Striving to create value through technical innovations and efficiencies, GSA's goal is also enabling innovation, education and communication for the benefit of the gaming industry, said John Boushy, senior vice president operations, products and services for Harrah's Entertainment.

"GSA came about because of broad support from scores of companies, manufacturers and casino operators, around the notion that the casino industry will benefit from an environment of open standards," Boushy said.

Mandalay Resort Group's Solomon agreed. "GSA provides a completely political



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juliebj@lifescapesintl.com





BOB Committee co-chair, Tom Ritchie, WMS Gaming, ensured that G2E attendees had a clear understanding of the BOB project.

neutral forum to discuss technical issues facing our industry," he said. "We have derived an open standard solution for many issues as a joint effort of GSA as opposed to just a single manufacturer."

From a manufacturing and international perspective, an Aristocrat Technologies executive said the GSA is a wonderful "gathering of expertise" to make the standardization process successful.

"Standards are important to me as a manufacturer because they free me to concentrate on what I do best and that is develop game content," said Gareth Phillips, chief technical officer at Aristocrat. "The GSA is an important

forum as it facilitates the industry to gather the best talent from all the manufacturers to focus on an issue whether it is protocols for systems or peripherals."

Non-gaming technological contributions

The creation of the "Best of Breed" standard is based on proven computer industry standard technologies, such as Ethernet, TCP/IP and XML, which will allow the industry to migrate to downloadable games and other new innovations.

"GSA is utilizing more mainstream solutions from other industries like the internet and cellular phone industries to generate more avenues for our industry," said Solomon. "We took everything that all the existing protocols can do and added the best examples of current technology outside our industry."

De Raedt agreed and said the association did not want to "recreate the wheel" with its development of BOB.

"The internet works globally because of standards, and it all works because of HTML standard coding," he said. "We wanted to bring the XML technology to the gaming industry."

BOB was also created with a robust security

system in mind. "We have so much information like ticket-in, ticket-out and bonusing traveling through data lines and wires, it was important to factor in security to protect the operators," Solomon said. We designed the best protocol without limitations."


Helping the gaming industry

Thanks to its advanced technologies and simple, single "language" configuration, "Best of Breed" will help the entire gaming industry in terms of efficiency and slot protocol, said experts.

BOB can also uniform additional yield management situations in the casino, including the uniformity of bill validators by downloading new code and software much more easily. Savings can be documented in other areas like labor and efficiency.

"Operators spend tens of thousands of dollars to get reports using 1980s technology in the casino," De Raedt said. "BOB will help them from a yield management perspective."

This protocol encompasses the communication protocol that controls the information between the slot machine and the network interface board to the



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BEST OF BREED

GSA Membership

- 46%—Manufacturers
- 17%—Operators
- 18%—OEM
- 10%—Advisory Members
- 7%—Affiliates

GSA Membership Locales

- 64%—North America
 - 13%—Europe
 - 10%—Australia/Asia
 - 7%—Japan
- Source: GSA

casino management system. BOB also provides operators with other features including an ability to download new gaming configurations.

"With BOB, operators could reconfigure the entire casino floor for a specific function," De Raedt said. "For example, operators could change machine denominations to influence day traffic versus evening traffic. They could tailor the casino floor to meet their specific needs from shift to shift."

Konami Gaming's Sutherland said slot protocol standards like with BOB would "significantly save on labor and increase the accuracy in data reporting. Ultimately, we want a 'plug-and-play' component," he said.

Mandalay Resort Group's Solomon agreed saying BOB will allow for operators to "create a 'plug-and-play' scenario" with less downtime and programming required.

"Programming is labor intensive and open for manual errors," he said. "From dip switches and manual configuration options and hold percentage to location,

BOB will automate the entire process."

De Raedt said GSA is about to release its BOB development software and demonstrate it at this fall's Global Gaming Technology show in Las Vegas.

"It's six years in the making," he said. "And, there's a definite need and want for standards in this industry. The challenge is getting everyone to fully understand."

Mapping out a future to benefit gaming
Many industry experts said they believe "Best of Breed" and its single-language protocol to be the wave of the future.

"We have an absolute need for transparency, disclosure and clear technical guidance in the gaming industry," CashCode's Levitan said.

"We're working on the technical future of the gaming industry. Once standards are in place, we will see a lot of progress in the industry in terms of development and new industry ideas."

"I'm a strong believer that gaming machines and systems will speak a single language," De Raedt said. "The industry is always looking for better ways to streamline their business. And, we think BOB can help accomplish that."

GSA's Serial BOB or S-BOB takes the ver-

bose XML command and transfers it down to a shorter code, similar to that in the cellular phone industry. "S-BOB compacts XML data streamline into a more efficient process, which now can allow for more remote locations to be online with a system," said Solomon.

"There's been a tremendous degree of interest in BOB, especially from Class II operations," he said. "(Class II operations) will be able to have a single system on their floor, and Class III operations will also benefit with central server possibilities."

Harrah's Entertainment executive Boushy said he sees standards paving the way for more operator flexibility on the casino floor and increased innovations industry wide.

"BOB, along with other standards that are a reality today, are exciting, tangible steps toward the reality of improved casino industry innovation," he said. "When fully employed, BOB should make it faster to receive regulatory approvals, make it easier for operators to pick the best combination of components for their operation and decrease the wasted expense to make their products work under multiple, proprietary standards." □

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The Rising Tide

Indian gaming is bringing opportunity to all Americans

Ernest Stevens, Jr.
Chairman NIGA

Just 30 years ago, no one could predict the success and opportunity that gaming has brought to Indian country. It's truly amazing when you consider how far we've come in such a short time.

Many are familiar with the sad treatment of Indian tribes in the past. Our economies flourished prior to contact with the European nations. Spain, France and England all entered into treaties with tribal governments to secure trade and commerce agreements. The United States entered into treaties with tribes for this same reason—and codified these agreements in the U.S. Constitution's Commerce Clause, which recognizes that Congress has the power to "regulate commerce with the foreign nations, among the several states, and with the Indian tribes."

To our dismay, the ensuing 150 years brought the federal policies of destruction: removal, allotment, assimilation and termination—all caused the killing of millions of our ancestors, taking of hundreds of millions of acres of our homelands, the suppression of our religions and cultures, and the devastation of our economies. The result left Indian country mired in poverty, crime, disease, dropouts and despair. However, we survived. Our cultures endured. And our spirit continues to burn.

A number of modern-day tribal leaders arose in the 1960s and '70s, determined to rebuild our communities and take control of our destiny. These tribes looked to the re-emergence of State lotteries, and took the idea of self-determination to heart by establishing the first Indian gaming operations. The rest is history.

In little more than 30 years, Indian gaming has provided more than 200 tribes the opportunity for self-determination and economic self-sufficiency. Indian gaming has replaced poverty with jobs bringing Indians back to Indian country. It's replaced disease with hospitals, doctors and medicine for our sick and elderly. We've replaced crime and dropouts with new schools and scholarships. And we've replaced despair with

hope for a new generation of Indian people. With the help of gaming, tribal governments are beginning to rebuild communities that were all but forgotten.

Each year, our industry continues to grow in strength. Indian gaming gross revenues topped \$16.7 billion in 2003. Tribes have used the majority of this revenue to rebuild governmental infrastructure and fund essential programs to address the enormous needs of their members. Many tribes are now diversifying their economies beyond gaming.

In addition, gaming revenues have enabled tribal governments to provide their citizens with amenities taken for granted in mainstream America. Before gaming, it was typical—if you were living on the reservation—to have to drive or hitchhike 50 or 100 miles or more to go to the movies, gas up your car, or even get groceries to feed your family. Now, many tribes are able to offer all of these things, and more, right at home on the reservation. Indian gaming has truly brought the American dream home to Indian Country.

Of course, the benefits of Indian gaming don't stop at the reservation border. Indian gaming has been a tremendous asset to our surrounding communities. It has created over 500,000 American jobs. Close to two-thirds of those jobs are held by non-Indian families and offer higher wages and much better benefits than jobs in the surrounding communities. Tribes also make a financial investment in their nearby communities. In 2003, tribal governments contributed more than \$100 million to local charities. In addition to monetary contributions, tribes gave fire trucks, law enforcement equipment, and much more to nearby tribal, state and local governments.

As the U.S. Constitution recognizes, Indian tribes are governments, and as such are not subject to taxation by another government. Despite this fact, Indian gaming is generating *billions* of dollars in added revenue to the federal, state and local governments. Individual Indians pay federal income taxes. Those who do business with casinos pay taxes. Those who win at casinos pay taxes. And those who work at casinos pay taxes. The Indian

'From the beginning, Indian gaming was about strengthening tribal governments and tribal economies. Through gaming, many tribes have been able to accomplish this. However, we need to move to the next level.'

gaming industry generated more than \$7.6 billion in added revenue for the federal, state and local governments in 2003. These increases came in the form of payroll and income taxes, vendor and consumer sales taxes on goods and services procured to supply tribal operations, revenue agreements, and other payments received through the like. So again, the benefits of Indian gaming go far beyond the reservation border.

From the beginning, Indian gaming was about strengthening tribal governments and tribal economies. Through gaming, many tribes have been able to accomplish this. However, we need to move to the next level.

By strengthening tribal businesses, we'll be able to further spread the benefits created by Indian gaming to all of Indian country. To accomplish this, NIGA has established the American Indian Business Network. The Network will highlight Indian entrepreneurs, bringing them in contact with tribal procurement officers as well as with other businesses. NIGA's policy statement lays out the goals of the Network. The statement encourages tribes to: Set a policy of procuring goods and



services from Indian businesses; commit to networking and outreach with Indian entrepreneurs; commit to an open door policy to listen to what Indian businesses have to offer; commit to joint ventures with other tribes; and commit to developing training and employment opportunities for Indian people.

The Network's goal is simple—to make the dream of economic self-sufficiency available to all in Indian country. In order to reach our goal, everyone involved in Indian gaming has to work together. Tribal governments, Indian and non-Indian businesses alike working in Indian country; we all need to do our part to recognize and invest in Native entrepreneurs and Native-owned businesses.

Indian gaming has brought our communities so far in such a short period of time. It's strengthened our governments, rebuilt our communities, and renewed a sense of pride in our young people. Without question, the economic benefits of Indian gaming are spreading to the nearby non-Indian communities in states that have worked with tribes on a government-to-government basis. However, I'm excited to take this next step of empowering our Indian entrepreneurs. So, while we've done so much in just 30 odd years, I'm confident that if we can reach this next goal, there will be no limit to the opportunity we'll be able to provide to future generations. ■

Ernest L. Stevens, Jr. is chairman and national spokesman for the National Indian Gaming Association. From 1993 to 1999, Stevens was elected councilman for the Oneida Nation of Wisconsin. He is a former first vice president and treasurer of the National Congress of American Indians. As a respected leader in Indian Country, he also serves on the Executive Board to the Native American Rights Fund, National Indian Child Welfare Association, Boys and Girls Club of America (Native American Advisory Board), National Indian Telecommunications Institute, Start-A-Heart in Indian Country and the Leonard Peltier Defense Committee. He can be reached at estevens@indiangaming.org.

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Puerto Rican Problem

VLTs at OTBs a bum deal for Puerto Rico casinos

by Paul Dworin



neighborhoods throughout Puerto Rico. There does not appear to have been any thought given to the impact VLTs would have on the welfare of those participating in VLT play and no thought to addressing socially responsible gaming.

Casino gaming has been a crucial component of Puerto Rico's hospitality and entertainment industry for more than 50 years. Puerto Rico was the initial model for amenity-style gaming with casinos being important amenities of large-scale hotel and resort facilities. Casinos were designed to appeal to hotel guests, tourists, and businesspeople visiting the island. While local play has never been encouraged, residents are always permitted to engage in gambling activity and have always formed a large segment of the overall market. Today, 18 casinos operate throughout Puerto Rico employing thousands of people.

Slot machines were first legalized in Puerto Rico in the mid-1970s and have seen steady growth for many years. Until 1997, the Puerto Rico Tourism Company purchased slot machines and was responsible for the maintenance and replacement of slot machines at the various casinos. Government employees counted slot revenues and casinos essentially received a rental fee for slot machine space. Casinos were responsible for marketing activities associated with slot machines.

Casinos such as El Conquistador will have unfair competition if VLTs are permitted throughout Puerto Rico.



The commonwealth of Puerto Rico recently enacted legislation that would permit video lottery terminals at off-track betting locations. This legislation is seriously flawed and is likely to have a severe negative impact on Puerto Rico's 18 licensed casinos and the revenue that they produce for the government.

The VLT legislation was enacted at the initiative of the El Comandante Race Track, Puerto Rico's only racing venue. The VLT legislation prohibits the racetrack from having slot machines at the track but authorizes the track to administer and operate the VLTs through a central computer system. Seventy percent of the revenues from VLTs would go to the racetrack, 15 percent would go to the off-track betting locations and 15 percent would go to the horsemen.

There are several major flaws with the VLT legislation. First, the legislation does not limit the number of VLTs that an off-track betting location may have. It is conceivable that some of the locations could be expanded to between 20 and 50 VLTs.

Second, there are no caps on the number of off-track betting outlets in Puerto Rico. It is estimated that, at the present time, there are presently 650 off-track betting outlets in Puerto Rico. Another 300 plus off-track betting outlets are being planned. This would cause a significant proliferation of off-track betting locations throughout the island.

Third, the legislation does not include any tax on VLT revenues. This means that the government will not derive any revenue from VLT operations.

Fourth, the legislation does not provide for the removal of existing "gray area" gaming devices that are located in many of the existing OTB outlets.

Finally, the legislation does not provide a sufficient foundation to regulate this new form of gaming in Puerto Rico.

In addition, the legislation does not prohibit progressive VLTs. Many of the off-track betting outlets are located in poor

In 1997, the law was changed and the ownership of slot machines was privatized. From this point forward, casinos were the owners of the slot machines and the purchase and technical maintenance of slots was transferred to the casinos. Most significantly, the 1997 amendments established a shared revenue formula between casinos and the government based on a legislatively enacted formula. As a result of this change, casinos have invested millions of dollars in new slot machines and software and the result has been a steady increase in slot machine revenues.

The revenue derived from slot machine play in Puerto Rico via casinos is significant. The first \$119.1 million of slot revenue is split, with 66 percent of revenues going to the government and 34 percent going to the casinos. Above that amount, 60 percent of revenues go to the casinos and 40 percent go to the government.

Unlike most other gaming jurisdictions, Puerto Rico does not tax table game win. The governmental revenue is dedicated to various governmental functions including the University of Puerto Rico, the General Fund and the Puerto Rico Tourist Development Fund. Over the years, this system has provided a reliable and steady source of funding to these agencies.

The Commissioner of Financial Institutions and the Gaming Division of the Puerto Rico Tourism Company regulate the island's casinos. Licensing, auditing and general regulatory oversight of casinos are integral facets of Puerto Rico gaming. New regulations establishing minimum internal control procedures and establishing a voluntary exclusion list should be adopted in the very near future.

The VLT legislation threatens to undermine funding provided to the University of Puerto Rico and the Puerto Rico Tourism Development Fund. It also threatens the economic viability of the casinos and could result in layoffs of casino workers. The VLT legislation does not create a level playing field. Casinos and their employees are subject to comprehensive licensing requirements and casinos operate under strict oversight in Puerto Rico. VLTs will be operating with minimal, if any, controls, and licensing of off-track betting locations does not appear to be meaningful. An unequal playing field has been created between casinos and the VLT operators/off-track betting outlets.

Casinos share income with the government while the VLTs would not pay any taxes based on gaming revenue. The off-track betting outlets and operators of the VLTs have significant advantages under this present legislative scheme, which threatens future growth of casinos in Puerto Rico.

What should be done to correct this situation? This legislation needs to be rethought and perhaps put on hold. At a minimum, the government should consider the following reforms:

- Limit the number of VLTs at each outlet to between 3 and 5
- Prohibit progressive VLTs
- Limit the number of off-track betting outlets
- Provide a viable licensing system for off-track betting outlets and the operator of the VLTs
 - Tax VLT revenues
 - Establish a regulatory system, which will meet the governmental oversight needs

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Boosting *the bottom line with bill acceptors*

by *Chris Mumford*

More and more casino operators, both in North America and Europe, are realizing just how important it is to specify the right bill acceptors for their gaming machines. The performance of the bill acceptor can have a significant effect on customer satisfaction, operational costs and, ultimately, on the bottom line.

For Paul Tjoumakaris, vice president of slot operations at the Borgata in Atlantic City, choosing the right bill acceptor was vital.

"Building a new casino gave us a strategic opportunity to look at everything on the gaming floor including the bill acceptors. It was crucial to make the right decision. Some of the key factors which we looked at were the acceptance rate, ease of use, durability of the cashbox, and flexibility of the system to be upgraded and enhanced," he says.

The role of the bill acceptors is even more critical in a coinless environment such as the Borgata, which is 100 percent ticket-in, ticket-out. "High acceptance rates combined with high security is very important, but reliability is also a key factor," Tjoumakaris says. "If the bill acceptors fail we have a real problem and it can affect our bottom line."

Leading payments system manufacturer MEI has used its extensive experience in other sectors, such as vending, to assess the importance of a reliable payment system. A study conducted in 1999 observed 1,000 vending transactions and showed that in 7 percent of cases currency rejections led to the purchaser walking away and not completing the transaction.



A study conducted in 1999 observed 1,000 vending transactions and showed that in 7 percent of cases currency rejections led to the purchaser walking away and not completing the transaction.

Playing a slot machine is nearly always a "discretionary" purchase. If the slot machine fails to accept the player's money on the first attempt, the customer may decide to use a bill of lesser value, may wander off to find a cashier/attendant, or worse, choose not to play at all. This is just the behavior you can see 365 days per year at the gaming machines in Las Vegas' McCarran airport. Passengers in transit tend to use the slots as their last opportunity for some fun. When money is rejected, often there isn't time to find a cashier, so the person goes back to wait for his or her flight.

Acceptance is critical

Acceptance is, therefore, a critical issue when choosing a bill acceptor. Operators should be wary of taking manufacturers at their word when it comes to acceptance rates and their effect on the amount of money in the cashbox. "Street" money is often of poor quality, deteriorating as it passes from hand to hand, and is crumpled in somebody's pocket or purse. In the U.S., for instance, some 40 percent of bills are taken out of circulation and destroyed every year.

Some bill acceptors deal with this problem by rejecting the bills even before they are scanned. Acceptance rates are high simply because they have not even attempted to validate the bills concerned. Excellent statistics are of no comfort to an operator who finds that his cashbox take is down. At the same time, the bill acceptor must provide state-of-the-art technology for the detection of counterfeit bills.

Acceptance is just one dimension of getting the bill from the customer and into the cashbox. The bill acceptor must also feature a transport system that moves the bill smoothly through, reducing the chances of jamming. Clearly, the cost of jams is not only in lost customer revenue or customer dissatisfaction. It is also an economic cost in staff time for every jam that has to be cleared.

Operators should be aware of points that carry through right to the cashbox itself. In the past, metal cashboxes were highly prone to damage, and a high percentage of machine problems could be attributed to faulty cashboxes. In some casinos this was such a problem that a maintenance crew had to follow behind those replacing the cashboxes in order to ensure that the gaming machines were working correctly.

MEI's research has shown that choosing the right bill acceptor can add up to \$400 per gaming machine per year to operators' profitability. So it clearly is not a decision to be taken lightly. □

Chris Mumford is European Gaming Manager for MEI

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Negotiating *Fairness* in California

The Schwarzenegger compacts create confusion, backlash among citizens and tribes

by *Kate Spilde*



Arnold Schwarzenegger

By now, anyone involved with gaming in the United States is probably aware that California has a new governor who has vowed to address the state's gaping budget deficit without raising taxes. This political tidbit would be of little interest to many in the gaming industry, however, if Governor Arnold Schwarzenegger had not made it clear that a hallmark of his administration will be his insistence that tribal governments contribute "their fair share" of gambling revenues to the state of California. What is interesting to note is that while these two goals appear to be at odds—no new taxes but increased "sharing" by tribal governments—the defining policy question in California has become "how much is fair?"

It appears the word "fair" is used in this context to mean "just" or "adequate." What is unclear is how to measure these categories. Rather, popular sentiment seems to insist that tribal governments simply contribute *more* to the state than they do now. The problem then blossoms further and becomes, how much more; how much is enough; and who decides? Rather than argue the issue philosophically, it may be more useful to

consider fairness along at least two empirical lines: What do tribes in California pay to the state relative to other tribes in the United States; and, what do

California tribes pay in comparison to other businesses in California?

When asked for specifics about how he would balance the state budget by tapping Indian gaming revenues, Sean Walsh, Schwarzenegger's campaign spokesman, said that his camp has "certainly looked to Connecticut" for a model of tribal-state revenue sharing (where two Connecticut tribes each contribute 25 percent of their slot revenue to the state.) Unfortunately, Walsh's idea that a deal negotiated in 1993 with a single tribe in Connecticut would be appropriate to address the state budget deficit in 2004 in California overlooks the specific historical circumstances that con-

The tribes that own Barona Valley Ranch Casino Resort (L) and Harrah's Raton have not signed compacts with Schwarzenegger.



tributed to the unique tribal-state compact in Connecticut. Even when a second tribe signed the same compact in 1995, the exclusivity for tribal gaming in Connecticut still meant that the two tribal governments were splitting a substantial gaming market consisting of an estimated population of 67 million people within 500 miles.

In contrast, it is difficult to argue that 53 or more Indian gaming facilities in California will ever share a similar level of exclusivity—or a similar market—as the two tribes in Connecticut, even if they are allowed to lift the cap to meet market demands and achieve limited geographic exclusivity at the individual tribal level.

This diminished exclusivity means that the gaming rights of each tribe in California become less valuable depending on a number of factors that do not figure into the proposed revenue sharing formulas, including the number of compacted tribes, the number of machine licenses in each facility and the geographic distribution of California's Indian gaming facilities. Of course, Indian casinos in California also

have competition from the lottery, legalized card rooms and horse tracks. As one tribal leader in Southern California remarked in response to the frequent Connecticut comparison, "Of course I'd give 25 percent to the state if it was only us and Thunder Valley (an Indian casino in Northern California)."

In spite of the attention given to the compacts in Connecticut and, more recently, in New York, revenue sharing is still not the norm for Indian gaming in the United States. Rather, the most common revenue sharing percentage in tribal-state gaming compacts is zero percent. Out of the 22 states with Class III gaming compacts, 14 require no revenue sharing with the state. Of the seven that do have revenue sharing, the majority of the compacts—four—require a revenue share of 8 percent or less. According to research by Claremont College, even under the current tribal-state compact in California, tribes in the state paid more than tribes in all other states combined in 2002 (excluding Connecticut.) These figures simply do not square with the popular view in California that tribal governments are "sharing" a great deal less than tribes in other states.

Indeed, just as tribes in California already pay more to the state than most other tribes in the country, they also already pay higher rates than traditional corporations in California. According to a recent analysis by California's prestigious Rose Institute of State and Local Government, if California tribal governments were treated

as California corporations, then they would be paying considerably less to the state. Under the terms of the 1999 compact, tribes pay into two separate revenue sharing funds, the Special Distribution Fund and the Revenue Sharing Trust Fund. The combined contribution hovers around \$140 million per year. For each terminal operated on September 1, 1999, the tribes pay a percentage of the net revenue ranging from 7 percent to 13 percent. The Rose Institute found that the average corporation paid 2.7

percent of total sales as income taxes and the average California corporation only paid 2.1 percent of total sales as income taxes. The flat 8.8 percent corporate income tax rate paid by corporations in California is a tax on profits, not on total revenues. In 2001 and 2002, the legislative analyst's office indicated that all corporations paid a total of \$5.33 billion in corporate income taxes. If tribal gaming facilities in California were treated as California corporations then they would be required to pay approximately





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INDIAN GAMING REVENUE SHARING IN THE UNITED STATES

\$30.8 million in taxes to the state, an amount well below the \$140 million they actually paid.

Of course, analyzing tribal gaming's contributions to the state based solely upon revenue sharing percentages and comparisons with other states overlooks some of the industry's most important benefits to California—both economic and social impacts that rarely figure into the discussion of what is "fair." While Indian gaming is an effective economic development strategy in many environments, the number and location of the tribes in California intensifies the positive impacts in the state. For starters, Indian casinos in California create a significant number of jobs, which result in substantial payroll taxes to the state. Job creation then reduces the need for welfare in (Indian and non-Indian) communities impacted by Indian gaming, easing the burden on state programs. Since tribal gaming facilities keep a high proportion of their economic influence within the state, Indian gaming also provides stability in California's economy. Because the profits are spent by tribal governments in the California economy, Indian

Revenue sharing in other states (excluding California): 7

No revenue sharing: 14

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

gaming revenues revitalize California's local communities, both Indian and non-Indian. And of course, Indian gaming helps retain California tourist dollars that could be flowing to Nevada and ultimately lost to the California economy altogether.

Of course, some tribal governments in California have agreed to "share" more of their revenues with the state and have already signed amendments to the 1999 compacts. There is also a tribally-sponsored initiative on the ballot this fall that would increase tribal payments to the state and lengthen the terms of the compact, among other changes. As the debate unfolds and election day approaches, it is important to remember that tribal governments are not businesses and that federal law requires that the bulk of tribal gaming revenues benefit tribal governments. While the Department of Interior has

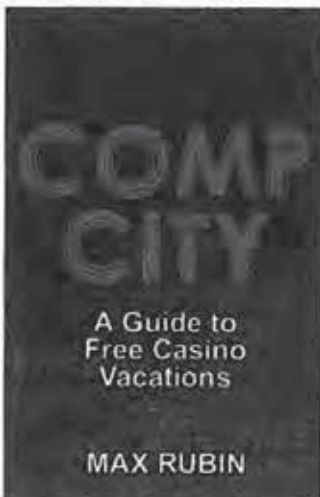
approved five new compacts under the assumption that they were negotiated rather than imposed, California is currently not a neutral environment for a truly bilateral tribal-state negotiation process. Perhaps the sentiment first expressed by Senator John McCain (R-Arizona) in response to IGRA can best summarize the popular and political tone in the state at the moment: "the state has always come to the table with the position that what is theirs is theirs and what the tribes have is negotiable." □

Katherine Spilde, Ph.D., is a research fellow at the Harvard Project on American Indian Economic Development, located in the Kennedy School of Government. Previously she served as the director of research for the National Indian Gaming Association. She lives in Rancho Mirage, California.

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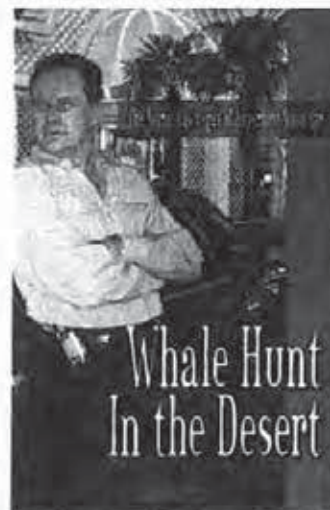
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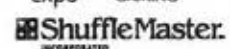
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Public Domain

Tax-heavy states require special marketing and operational skills

Jim Rafferty



Imagine this: The general managers of all four West Virginia casinos are each carried into the Capitol on a throne perched on the shoulders of a multitude of state police officers in full regalia. While the West Virginia University band plays "We are the Champions," the four GMs are met by the governor and are escorted to a great celebration where they are the guests of honor. What is the reason for the great celebration, you ask? The answer is that these men and women represent 9 percent of the state's budget, \$275 million in 2003 alone. Their properties generate more for the state than they do for their owners. These men and women are true heroes in the world of public gaming.

As a matter of definition, any property where more than 50 percent of the slot revenue goes to the state must be called a public gaming enterprise. For the last 21 months I have been toiling in the fields of public gaming in Wheeling, West Virginia. I know from this short experience of the joys and sorrows of working in the environment where more than 50 percent of the company's slot revenue goes to the state, horsemen, kennel-owners, etc., but not the owner-operator. The joys of providing so much tax revenue for the public good is, for an old dye-in-the-wool Democrat like myself, socially redeeming. Unfortunately, the capitalist in me shudders at the ROI that these investments allow. And in the final analysis, maybe the hardest one hit is the customer.

Customers in public gaming states suffer with the lowest of player reinvestment programs. Cashback is usually out, food discounts and comps limited, and player parties serve hot dogs and burgers. And let me tell you, don't waste your time trying to tell your customers about the tax rates. They don't care, and why should they? To them a casino, is a casino, is a casino. That means free food, comps and hotel rooms, too. The trade out in public gaming states is purely convenience. Is this enough for the players?

'Public gaming does not necessarily mean the end of casinos as we know them'

The answer is yes; players are looking for the best place to play their favorite slot machine. And they will bargain to do it, because our players are smart. They will give up some benefits to get others and getting into action quickly and easily is very high on the list.

The fact is that customers continue to come if the convenience and the slot mix fit the customers' desires and the property plays its business plan right. Public gaming does not necessarily mean the end of casinos as we know them. It means innovative management must rise to the occasion. Public gaming means making money every way you can. It means becoming regional entertainment centers. It means not giving away alcohol. As strange as this sounds, it means changing the equation in ways that were not previously considered profitable, like looking at the parimutuel operations as a business opportunity, not just an enabler.

Racinos in 50-percent-plus tax environments are not for the faint of heart. It is the new frontier of gaming. West Virginia and Delaware are flat out success stories, for now. New York, with its 80-percent tax rate, is a work in progress, and some very smart people are working very hard to make it profitable. Pennsylvania, with its more than 50-percent tax rate, will be interesting, with its eastern properties competing with Atlantic City (good luck) and the western end of the state competing against the similar tax structure in West Virginia.

Public gaming casinos must change and adapt. Look at the metrics. In the rest of the casino world, a common measure of a player's worth is the "theoretical loss of the player," called the player's "theo." But the theo is a worthless measure in public gaming. So management

teams in public gaming have started to use the term "average value of the player" or "AVP." In a very real way, it is not what the player plays but what the business gets. Many properties in high tax environments are now looking towards customers on per capita bases, something racing companies have been doing for years. Public gaming companies are changing the metrics.

These high-tax environments do not change everything, however. Customers still want a well-capitalized property. Just changing the signage will not cut it. Mary Midway, my fabled customer, still has some basic requirements: Parking must be safe, well lit and close to her favorite machines. Bathrooms need to be clean and well maintained. Food must be well prepared and a bargain. But most of all, public gaming properties must invest and reinvest in their slot product. They must have the right titles, the right denominations, the right manufacturers, and be focused on the specific market they are appealing to. Should an eastern Pennsylvania racino copy Atlantic City's slot layout without having the player reinvestment model that Atlantic City has? Think again.

And, by the way, property general managers will not be carried into any state's capital anytime soon. We in the casino industry will never get the credit we deserve for serving the society that we entertain so well. For casino entertainment carries the same burden that Robin Hood did. No matter what a nice, charming person Robin Hood was, and never mind all the good he and his band of merry men did; in the minds of the self-righteous public, true or false, he was less than a model citizen. □

James Rafferty is vice president of marketing for Wheeling Island Racetrack and Gaming Center, in Wheeling, West Virginia. He was previously corporate vice president of marketing for Harveys Casino Resorts. He can be reached at jrafferty@dncinc.com.

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What I Liked At The Gaming Show

My esteemed editor, Roger Gros, wanted me to do a pure opinion piece to single out the best new slot games at this year's G2E show. It would be a completely subjective evaluation of what I feel are the best new games being launched.

I opined (I do that sometimes) that such a list could serve to alienate those fine companies (definition: those who advertise) who did not make the list. "Nonsense," Roger said. "Why, the value of your opinion as a trusted slot expert is worth more to me than all the advertising money in the world, and I'm sure our advertisers all feel the same way!"

Just kidding.

But Roger did actually say that my opinion of the best games would certainly be a valid entry in the magazine. The only problem is that there was no space left after I finished my typically long-winded, book-length opus on all the new slot games—which is, incidentally, the central feature in this issue of *Global Gaming Business*, a fact of which you may have been unaware if you don't even look at the cover and turn to "Frankly Speaking" the millisecond your magazine arrives. (Hey, who doesn't?)

Thus, I am forced to do my subjective analysis on this page, which means it has to be funny. Oh, well... we'll just have to work with it. Here are some of my favorites:

From A.C. Coin comes "King Kong," the sequel to "Empire." I loved the movie *King Kong*, but more than that, I just like watching monkeys climb buildings. It's a hobby of mine.

From Aristocrat comes "50 Lions," with four rows of symbols and 50 paylines. I like this one because I want to experience losing hundreds of dollars while betting a half-penny at a time. It is a noble goal.

Atronic's got a game called "Cash Fever" with four progressive jackpots won through the bonus round. But I just like it because of the cabinet, which you can adjust for height with buttons on the side. This alone provides me hours of entertainment. "Slot goes up... slot goes down... slot goes up... slot goes down..."

From Bally, I like "Great Adventures," because it lets you actually earn free vacations while playing a slot machine. "I hit the bonus, Marge! We're Scranton-bound!"

I like Cyberview games because they're "downloadable." In addition to the fact my wife can play a slot on this setup while I call up a video poker game in the next seat, I just really like writing the word "downloadable." Downloadable. Downloadable.

From IGT comes "Pinball," a classic reel-spinner with a mechanical pinball game on top. I have to include this, since much

of my youth was wasted playing pinball in a bowling alley. Now I can waste my old age playing pinball in a casino.

Konami has this cool game called "ER Fever," in which you win the bonus by "curing" a patient, who is then "released" from the hospital. Of course, you then have to give the money back to the casino when the "bill" comes and your "insurance" doesn't pay it.

Mikohn has "Rey Del Mambo: Tito Puente," with video clips of the Latin star. Hey, who *hasn't* been waiting forever for a Tito Puente slot? Seriously, it's really cool. I can't wait for the Louie Prima slot.

Novomatic's Austrian Gaming Industries has "Riches of India," which I like because it has snake charmers and a guru. I think the Beatles visit the guru in the bonus round.

Sigma has its new version of "Flush Attack" poker, which gives me a chance to activate the "Attack Mode" on a game that is not seven years old with a screen blurred by nicotine residue.

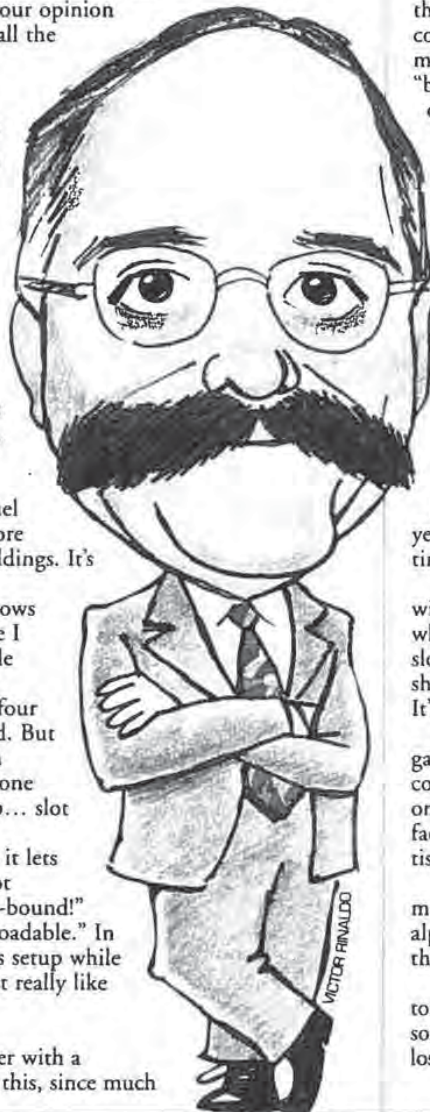
WMS Gaming has "Great Scot!," with its "Up Yer Kilt!" bonus round, which I love simply because I love a slot-maker that isn't afraid to put out a shameless, comical ethnic stereotype. It's "greet!"

So those are my favorite G2E games, and whaddya know? By sheer coincidence, there just happens to be one game from each of the slot manufacturers who supports us with advertising. Imagine that.

It's also sheer coincidence that the manufacturers happened to fall in alphabetical order. Wow, what are the chances?

So perhaps my list of favorites isn't totally subjective, but it's not because I'm some spineless coward who is afraid of losing his job by making advertisers mad.

Well, okay, maybe it is. □



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CUTTING EDGE

by Matt Ward

SPECIAL EFFECTS

PRODUCT: Pushbuttons, Reel Mechanism and Specialty Items
MANUFACTURER: Coin Mechanisms, Inc.

Coin Mech, long an industry leader in slot coin validation with its "Coin Comparitor" series, is introducing three new categories of slot OEM products. The new products all provide flashy effects to enhance the visual appeal of the basic slot game. Coin Mech will introduce products at G2E in three new categories: Pushbuttons, Reel Mechanisms and Specialty Devices.

The new Pushbutton series includes the Gamesman brand of buttons and game controls, including the "Disco" button, which features built-in LED lighting effects; the "Rotary" button, which adds a joystick-style control to game content; and a series of "halo effect" buttons in various shapes, sizes, and colors.

In the new Reel Mechanisms series, Coin Mech offers a line of reel mechanisms in standard formats, with 48-step and 200-step motors. Included is the GM6000 Series of Micro Mechs, ultra small stepper products that come with a built-in set of LEDs that generate incredible lighting effects.

The Specialty Items product family includes the patented "GameLine," an LED-loaded lighting effects attachment to a reel mechanism, plus devices including a tower light shaped like a police light. The centerpiece of this product family is the Type4 CCFL, a patented cold cathode fluoride lamp that is designed to replace fluorescent lights, ballasts, and starters. The Type4 includes a powerful trapezoid-shaped lamp with an acrylic diffuser/protective cover, and an inverter that operates at either 12V or 24V. The Type4 uses half the power of an equivalent fluorescent system, and offers a 20,000-hour life as opposed to only 9000 hours. Plus, it burns cold, so there is no heat build-up in the machine.

For more information, contact Rick Currie at 630-924-7070.



510 Short

MEGA INFORMATION

PRODUCT: WWW.MEGAWORLDCASINO.COM
MANUFACTURER: MegaWorld Casino

A 26-year-old law student in Washington, D.C., has created a unique concept for casinos and gaming manufacturers to reach an untapped source of consumer information.

Christine Parsadaian created MegaWorld Casino, an online site where people can legally play casino games on a subscription basis and where casinos and gaming manufacturers can collect valuable, real-time marketing information and user feedback.

The online venture is currently in the pre-launch stage, as Parsadaian, along with her father Serge, are developing the business together, lining up potential advertisers as well as gaming entities that wish to participate. MegaWorld Casino will eventually reach an online audience in 20 languages, featuring both prototype and established games, such as video poker, slots and table games.

Understanding that most established gaming entities avoid doing business with online ventures because of potential legal repercussions, MegaWorld Casino creators submitted their business plan to the Nevada Gaming Control Board in order to satisfy customers' potential concerns. The board gave its full approval of the idea, saying the subscription rate that players would pay would not constitute a wager in any way.

In order to attract players, the site would offer free playing time on games manufacturers are hoping to generate interest in or on those the companies want to test in an open market before producing. The advantage for players is that they are able to familiarize themselves with a game they may someday play in a casino before risking any money. The advantage for casinos is the enormous marketing tool that information gleaned from the site could provide.

For more information, contact Serge Parsadaian at info@megaworldcasino.com or at 702-650-4481.



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MAXIMUM BINGO

PRODUCT: Max Pak

MANUFACTURER: Melange Computer Services Inc.

The company known for the bingo paper Super Games, secure electronic pick game VIPick'em, and The EPIC System, an accounting and management system, has developed a new electronic bingo product called Max Pak, which looks and feels like traditional bingo.

Melange, a leading electronic bingo system provider, developed the centralized accounting, reporting and administration gaming system to also provide a gateway into in-depth player tracking for customers.

Fully integrated into The EPIC System, the Max Pak provides players with high quality graphics using the same game layout as traditional paper games. Playing bingo electronically allows players to play more cards than manually possible, thus Max Pak has the ability to offer more games and specials than ever before. The system offers all of the standard features, such as auto daub, change dauber shapes and colors, view all sheets, change or lock your seat, and more.

The player station is a fully integrated countertop computer with everything contained inside the system. There are no exposed cables or bulky cabinetry. A 15" ultra-bright, flat-panel touchscreen allows the players to access all of the features of the gaming system. The semi-portable unit is also tamper resistant.

At intermission players are offered additional games that can be played from the comfort of their bingo seat. Max Pak also has picture in picture capability, allowing players to watch TV and play bingo at the same time.

For more information, contact a Melange salesperson at 800-572-1497.

POWER NETWORKING

PRODUCT: My ACP

MANUFACTURER: Octavian International

Octavian International has extended its range of OctaLink ACP (Accounting, Control, Progressives) solutions with the launch of "My ACP."

As its name suggests, My ACP places the hub of the ACP system, including central server and database, on the operator's territory. This contrasts with other OctaLink ACP solutions, such as ACP Basic, ACP Professional and ACP Enterprise, where each gaming venue is connected to Octavian's computer centers via a dial-up connection or permanent data line.

The Octavian system already links more than 25,000 gaming machines worldwide.

The difference with My ACP is that the physical location of the central server, software and database can now be located near the customer's own technical center, allowing the customer's MIS or IT departments better information and access to their product.

Andrey Valov, head of Software Development at Octavian said, "My ACP is a natural evolution of the OctaLink ACP range that will appeal to operators who want to bring control of their networked gaming operations in-house. Producing a proprietary customer version of the OctaLink ACP solution is not difficult because the system is inherently flexible. My ACP is the culmination of all the experience we have gained with customers who connect to our own ACP computer centre. With My ACP we are simply delivering that experience via a different route. Now the customer has a full choice of options."

The first My ACP installation will be at the St. Petersburg premises of SET, the Russian gaming operator. Field-testing has begun and the system is due to go live in October. In addition to operating slot venues and luxury casinos, SET manufactures its own gaming machines and equipment. My ACP will initially link and control SET's expanding regional operations, which include its own slots as well as machines from Aristocrat, Atronic, Bally Novomatic, Unidesa and Williams.

For further information, contact Robert Dykstra or Rob Wheeler on +44-483-543-543.

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NEW GAME REVIEW

by Frank Legato

All That Glitters

WMS Gaming

This is a novel new style of video slot featuring jewels and diamonds as the reel symbols. The novel part is an innovative display method called "Cascading Reels." Instead of an image of spinning reels, each touch of the spin button sends jewel reel symbols cascading down into place from the top of the screen.

When the symbols form winning combinations on any of the 20 paylines, the jewels forming the win disappear, and more cascade into place, paying the player an additional jackpot if the new jewel formation results in winning combinations. The symbols continue to cascade, logging credits on a win meter, until the screen displays no winning combinations.

Three bonus coin symbols on an active payline trigger the second-screen "Jewelry Shop Bonus." The screen displays a scene of a jewelry store where two characters—"Jerry," the apprentice gem cutter, and "Sven," the master gem cutter—sit next to a pile of rough gems and empty jewelry settings on a counter. The player is prompted to select one of the rough gems, and one of the gem-cutter characters cuts it until it appears in one of the settings. The larger the finished gem, the larger the bonus credit award. Randomly, the character will carve two gems for a larger bonus award, or the gem will shatter when the cutter starts to work on it. The bonus continues, accumulating gem awards, until two gems are shattered to end the bonus round.

As each gem is finished, it goes into one of four settings. When all the gem spots in a setting are filled, an extra bonus is awarded.

Manufacturer: WMS Gaming

Platform: CPU-NXT

Format: Five-reel, 20-line video slot

Denomination: \$.01 to \$100

Max Bet: 20, 40, 100, 180, 200, 400

Top Award: 25,000 coins

Hit Frequency: 37%—38.7%

Theoretical Hold: 5.05%—15.80%



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People

**Atronic announces Klug's
2005 departure**



KLUG

the European AWP and amusement-only machines business segment (Mercur pillar). He will be replaced at Atronic Americas by Joe Bailo, who will become the company's new CEO.

Entrepreneur and CEO of the Atronic Group Michael Gauselmann said he appreciates Klug for his strong contribution and market penetration of Atronic Americas.

"In working with Rolf over the past eight years, I am very confident that this is yet another successful step in his professional and personal life," Gauselmann said.

Timmins becomes CEO of LCI

London Clubs International announced the promotion of Bill Timmins to CEO recently, bringing him back to the U.K. to run the gaming group as it prepares for expanded gaming in England.

Timmins was previously head of LCI's Las Vegas operation at the Aladdin, which Timmins successfully brought out of bankruptcy and sold to a group that includes Planet Hollywood.

Timmins has spent eight years with LCI and will be bringing his experience with American slot gaming and progressive jackpots back home with him as Las Vegas-style gaming looms on the U.K.'s horizon.

**Pensoneau joins NIGC as
public affairs director**

Phil Hogen, chairman of the National Indian Gaming Commission (NIGC) announced the selection of Shawn Pensoneau to serve as the commission's director of congressional and public affairs.

Pensoneau is an enrolled member of the Kickapoo Tribe of Oklahoma and joined the commission after serving as a legislative advisor with the National American Indian Housing Council. Additionally, Pensoneau worked for the Navajo Nation Washington Office in several capacities including acting director and legislative assistant, prior to his work with the National American Indian Housing Council.

**Brandon Joins Seneca
Gaming Corp.**

Seneca Gaming Corp. announced that Barry W. Brandon is the company's new senior vice president and general counsel. Brandon will oversee legal issues and governmental affairs for Seneca and its subsidiaries.

Brandon most recently worked for Akin, Gump, Strauss, Hauer and Feld LLP as a law partner specializing in Indian law and policies with an emphasis on gaming.

Brandon is a former chief of staff to the National Indian Gaming Commission in Washington, D.C.



BRANDON

**Munoz joins Las Vegas Hilton
International marketing team**

Sara Munoz will head the Las Vegas



MUNOZ

Hilton's Latin America marketing team, the company announced.

Starting at Bally's in 1992, Munoz has spent the last 12 years developing Latin American marketing and sales strategies for the casino industry.

She has worked at three Las Vegas Strip casinos, most recently Paris Hotel & Casino.

Munoz will report to Gonzalo DeVarona, vice president of casino marketing.

Born in the U.S., Munoz grew up in Mexico.

**MGM Grand Detroit names
Neubecker assistant V.P. finance**

Mike Neubecker was named new assistant vice president of finance by MGM Grand Detroit recently after serving as executive finance director.

Neubecker joined MGM Grand Detroit in 1999 after working for Las Vegas' MGM Grand since 1993.

In his new role, he will oversee and direct casino accounting, financial accounting, payroll, financial analysis, compliance, loss prevention and the casino's warehouse.



NEUBECKER



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Agilysys—System provider Agilysys, Inc. announced that Turning Stone Casino Resort in Verona, New York, has selected the company's Document Management System (DMS) to archive records and streamline operations at the property, which is owned and operated by the Oneida Indian Nation.

DMS is a complete imaging and archiving solution for scanned images, faxes, e-mails and spreadsheets. The system, which features electronic registration and signature capture, helps ensure a property's compliance with the USA Patriot Act and the Sarbanes-Oxley Act. DMS is platform and business software independent and can handle the extremely large volume of records that Turning Stone needs to access.

Alliance Gaming—Alliance Gaming Corp. announced that its Bally Gaming and Systems business unit has entered into a licensing agreement with Chippendales Entertainment for a series of slot machines featuring the trademarks, art and images of the Chippendales male-entertainment brand. Bally Gaming is developing the first Chippendales game as a "Super Frenzy" reel-spinning slot with a unique fourth reel in the top box. Copyrighted Chippendales artwork and photographs will be used creatively to offer a unique slot product that celebrates Chippendales' 26 years of sensual entertainment. Initial sales distribution is expected to begin before the end of the calendar year.

Applus—Applus, the Spanish slot machine testing and certification lab, has been granted authorization to test gaming machines in Panama.

Aristocrat Leisure—Australian slot manufacturer Aristocrat Leisure Ltd. reported a better-than-expected first-half profit after it took market share from rivals in North America and Japan, spurring a 21 percent jump in its shares. The earnings report signals a comeback for Aristocrat from its dismal 2003 showing, which involved four profit warnings and a loss of A\$106 million. The manufacturer has forecast a calendar 2004 net profit of A\$115 million (\$82 million) to A\$135 million, beating analysts' expectations.

Atronic International—The first installation in Greece of e-motion, the ergonomically designed slots with the high-powered video platform produced by slot-maker Atronic International, is garnering rave reviews. According to the company, guests at the Hyatt Regency Casino in Thessaloniki were

waiting in line to play the new e-motion games, swamping the machines the instant they were turned on. The four new e-motion games—Atlantica, Sign of Zodiac, Sphinx II and Babooshka—were introduced with a promotion offering customers champagne served by hostesses dressed in the theme of each game. Prizes were awarded throughout the day of the July launch.

Austrian Gaming Industries—Austrian Gaming Industries, owner of Novomatic, one of the world's leading slot machine suppliers, has opened a U.S. subsidiary in Colorado Springs, Colorado. Tom Galvin, formerly IGTS managing director for Africa, will run the office. "Novo Colorado has already received its first orders, a demonstration of the success of our Multi-Screen Technology concept," said Jens Halle, AGI's managing director.

Densitron—Densitron announced that Bulgaria's Euro Games Technology Ltd., one of the leading new suppliers of slot machines in Europe, has decided to base its next generation games on Densitron's DPX-114 embedded computer board running the Linux operating system. The DPX-114 is one of the new ConnectBus-II families of embedded PC boards designed especially for gaming applications. Vladimir Dokov, the Managing Director of EGT commented:

"In Densitron, we have found a supplier who totally understands the needs of the gaming industry and whose knowledge of technology will make the future for us and our customers very exciting." The low power of Densitron's DPX-114 comes with no compromise in CPU and graphics performance by virtue of the Transmeta CPU and ATi Radeon range of graphics cores. This includes the advanced Mobility Radeon 9000 with 64MB of high-speed DDR memory and DirectX 8.1 support, capable of independently driving multiple high-resolution 3D displays directly from the board.

Franco USA—Joaquin Franco Perez, president of the Phoenix-based slot supplier R. Franco USA, was arrested on charges of fraud, theft, bribery and computer tampering in connection with the company's application for a license to sell slots to Arizona casinos. He was jailed in lieu of \$1 million bond and could face up to 15 years in prison. Perez, the grandson of the late Spanish dictator Francisco Franco, is accused of bribing an Arizona Department of Gaming official with an offer of a job in exchange for license approval of R. Franco USA, the U.S.-based subsidiary of slot manufacturer Recreativos Franco of Madrid, Spain. He also is accused of misappropriating funds from Visix Gaming LLC, the Franco distributor with

which Franco USA had announced the intention to merge, and of destroying or altering thousands of computer files connected to the deal.

GameTech—GameTech International, Inc. named John B. Furman as its new president and chief executive officer. Furman was elected in 2003 to the board of directors of GameTech, a leading supplier of electronic bingo equipment. He is the former president, CEO and Director of Rural Metro Corporation and is a current Director for MarineMax, Inc. and Smith & Wesson Holding Corporation.

Furman replaces Clarence Thiesen, who retired on September 1.

Gaming Laboratories International—GLI, the world's largest independent slot machine testing and certification laboratory, is celebrating 15 years in business this year. Founded in July 1989 by James Maida, GLI has offices on five continents and employs more than 500 engineers. The company counts 380 jurisdictions on its client list.

"It's quite a remarkable thing when government regulators put their trust in you," said Maida. "For 15 years now we've worked very hard at building and maintaining that trust."

Gaming Support—Gaming Support, the Dutch supplier of casino technology, has moved its premises. The company's new address is Industrieweg 29, 3044 AS Rotterdam, The Netherlands. The telephone number is +31 (0)10 524 1150.

InfoGenesis—Hospitality system provider InfoGenesis announced that Caesars Entertainment has installed the company's Revelation point-of-sale (POS) system at Caesars Palace Las Vegas.

InfoGenesis was selected after successful installations of Revelation at other properties owned by Caesars Entertainment, including Caesars Atlantic City, Bally's Atlantic City, Bally's Las Vegas, and Hotel Conrad Resort & Casino in Uruguay, as well as four of Hilton properties. The InfoGenesis installation at Caesars Palace replaces an existing POS system and includes more than 142 IBM SurePOS 500 touch screen terminals and 44 handheld terminals. The system permits 41 separate profit centers to work as a single system to manage all food, beverage and retail transactions.

IGT—Leading slot manufacturer International Game Technology announced that it is merging its nine separate offices and plant locations in the Las Vegas Valley into one 600,000-square-foot building.

Officials cite Reno-based IGT's growth through acquisitions in southern Nevada

over the past few years, including its purchase of Anchor Gaming and Acres Gaming, as prompting the move to create a new Las Vegas plant. "The new facility will allow us to be more efficient and keep us responsive to our customers' needs," T.J. Mathews, IGT president and CEO, said in a statement.

The new Las Vegas facility will include 300,000 square feet of manufacturing and warehouse space, 230,000 square feet for offices and 70,000 square feet of accessory space. Officials say the facility, to be located in the southwest part of the valley, will be open in around two years—after leases expire on current Las Vegas facilities.

Konami—Konami Gaming Inc., was able to secure a \$132,817 tax credit through Nevada's Commission on Economic Development after announcing plans it was moving its slot manufacturing and distribution headquarters to Las Vegas.

Konami plans to triple its operations in Las Vegas, hiring 16 new employees at an average wage of \$25 an hour. Konami plans to move its headquarters into a 120,000-square-foot facility at the Hughes Airport Center, including 60,000 square feet of additional manufacturing and 60,000 square feet for office and administrative

space. The company is also planning to relocate its research and development team in Las Vegas.

Mikohn—Mikohn Gaming Corp. has filed a lawsuit against system supplier Paltronics Inc. alleging patent infringement, copyright infringement, trademark infringement, misappropriation of trade secrets and violation of a digital copyright law. Chicago-based Paltronics produces slot and player tracking system software, and partners with IGT and other slot manufacturers on the system side.

"Our intellectual property is the foundation of our company," Mikohn Chief Executive Russ McMeekin said. "We will vigorously defend our rights and not tolerate any infringement of any of our patents."

Octavian International—Peru's Heal Technology and leading gaming technology supplier Octavian International have entered into a strategic alliance in which Heal will use Octavian's software in the Peruvian market. Heal Technology will manufacture and assemble the cabinet, as well as market the machines in Peru. Octavian will provide its current gaming library and any future developments that will be produced. Meanwhile, in other Octavian news, the company has

announced the addition of two new sales managers. Current sales manager Rob Wheeler has been promoted to regional sales manager, focusing on the company's TTR (Table Top Roulette) solutions and OctaMPP (Multi-Purpose Platform). Dan Cast joined Octavian in August as a sales manager with special responsibility for OctaGames.

Perini Corp.—Perini Corp., a major casino construction company also known for its work on overseas military facilities, recently announced its bid to acquire a Maryland-based construction company for \$20 million, expanding its footprint in the southeast.

Company officials announced that a letter of intent to acquire Cherry Hill Construction Inc. of Jessup, Maryland was signed last week. "(The acquisition) expands our physical footprint and brand in a marketplace that is rich with opportunities for growth," said Ronald Tutor, Perini's chairman and chief executive, in a statement. The acquisition is Perini's second in two years. It expanded in Florida in early 2003 with the purchase of James A. Cummings Inc., a \$100 million, private construction firm based in Fort Lauderdale, Florida. □

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CASINO COMMUNICATIONS

Dan Lee

Chairman and CEO, Pinnacle Entertainment



Dan Lee, the chairman and chief executive officer of Pinnacle Entertainment, has developed the former Hollywood Park Corp. into a force to be reckoned with in mid-America, with successful properties in Mississippi, Louisiana and Indiana. In late August, Pinnacle was named by the Missouri Gaming Commission as the preferred developer for two sites in and around St. Louis. In early September, the company bid \$30 million for the bankrupt President Casino on the Admiral in downtown St. Louis, besting Penn National's offer by \$2 million.

Add Boomtown in Reno and two properties in Argentina, and Pinnacle is reaching a very diverse market. Lee spoke with *Global Gaming Business* Editor Roger Gros about the company's Missouri plans even as it reaches the final stages of construction of L'Auberge du Lac, a new \$300 million dockside casino resort on the shores of Lake Charles in Louisiana.

Global Gaming Business: Explain the rationale behind the bid for the President in Laclede's Landing in St. Louis.

Lee: First and foremost, we would spend money on things that can be moved to our permanent facility; things like slot machines. The slot machines they have there now are veritable antiques. We'd come in with state-of-the-art slots and slot systems, and maybe a few new signs. Then in two years, we'd move this to our new operation three blocks away. We'd operate the President for two years and learn a lot about the market. We need a couple of thousand employees for our new facility, but we'd have a core group of 700 experienced employees to build around. The transition would be very smooth. Think of it as the President being our temporary casino while we build a new one.

Why do you think you can be successful in Laclede's Landing when the President always struggled? First of all, the President is an early generation riverboat, one of the earliest. It's a former ferry-boat; it never made a particularly good casino. The law has migrated as well. At one point, Missouri law allowed the President to remain dockside while other riverboats had to cruise. Even with that perceived advantage, it wasn't successful. Now, nobody is permitted to cruise.

We are much closer to the center of town than the President is. Our site is immediately adjacent to the Laclede's Landing entertainment district and the city's convention center. The President is a lonely walk down a steep hill under a train track to a waterfront location, where you board the boat. They have limited parking if you are going to drive. But even with these difficulties, the President produces positive cash flow, just not enough to cover the debts of the parent company. That's why it is in bankruptcy.

What about the Lemay market? Who are your chief competitors there?

It's probably mostly Casino Queen in East St. Louis, which is our main competition downtown, and to some extent Harrah's in Maryland Heights. But the big attraction there is the half-million people living in southern St. Louis County and no existing casino there. This is more of a locals market. Think of the Suncoast or Green Valley Ranch in Las Vegas. Along with 100 guest rooms, we're also building a multiplex movie theater, a bowling alley and a retail complex, which is very much like many of the locals casinos in Las Vegas.

How is L'Auberge du Lac going? What is the time line for opening?

It's going great. It will open in the spring of next year with 750 guest rooms and a Tom Fazio-designed golf course. We've got most of our management team together. We're working on our marketing plans, and beginning to hire employees. It's a lot of work in the next six months, but it's very exciting.

Q&A

Does the threat of gaming in Texas worry you?

Well, we considered that when we planned the Lake Charles project, but we're not too concerned. Gaming came up this year, and the state Republican Party inserted an anti-gaming plank into its platform. In addition, it is extremely difficult to get gaming passed in Texas. The prohibition against gaming is written into the constitution. To change that, you need a two-thirds vote in the House and the Senate and a majority vote of the people. The state is very conservative so that is unlikely to happen. For Indian gaming, there are only three tribes in the state and two of the three signed agreements with the state a long time ago saying they wouldn't have gaming.

At one point, Pinnacle was close to a deal for the Aladdin in Las Vegas. Is there any interest in establishing a property there?

If the right opportunity came along, we would look in Vegas, but at the moment, we have a lot on our plate. We're very focused on delivering on all the things we said we were going to do. The returns on our properties are very good; probably better than they would be in Las Vegas. And the cost of entry in Las Vegas is pretty substantial. You're looking at a billion dollars at least.

Does Pinnacle have any interest in the potential "fire sale" of properties in the Harrah's/Caesars merger?

I don't think it's reached the "fire sale" stage yet. And I actually think the price announced for the Colony Capital purchase of the four properties in Atlantic City, Indiana and Tunica is about right on. When I was on Wall Street back in the 1980s, we used to value casinos at eight times cash flow. They're still saying that and interest rates are a whole lot lower. In today's world, you're not going to the high-yield bond market. The return on investment is very substantial, even at the price we've seen reported. ■

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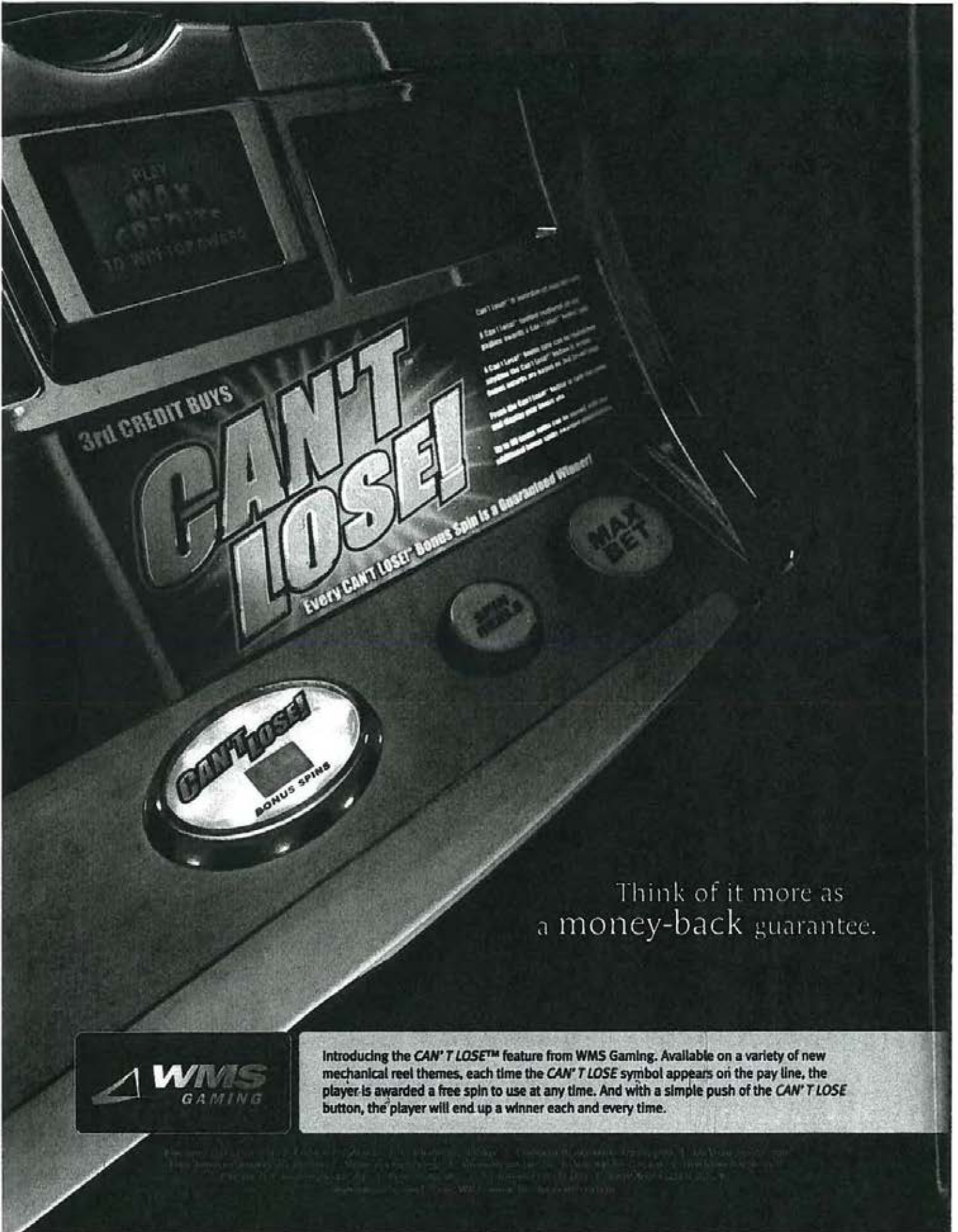
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