

To: Lottery CEO's, IALS Members, Marketing Directors,
PR/Communications Directors

Public Gaming Research Institute Inc.'s

INTERNATIONAL MORNING REPORT

Your weekly supplement to
Public Gaming International Magazine
January 7, 2002

LET THE SCRATCHIN' BEGIN. Finally! The South Carolina Education Lottery starts selling four instant ticket games today in what will soon be 3,000 locations throughout the State. The launch promotions started last week with Commission members and employees hitting the road to visit media outlets and event sites, passing out hats featuring the Lottery logo, while a blue and green "Lottery Express" SUV took to the roads (some covered in snow). In the meantime, still questions of when online games will start with AT&T saying they can't get the communication system in for the planned March 6 start and that their contract with the State which calls for a 45-day install period could not apply to a project of this magnitude. On-line supplier Scientific Games has filed suit against AT&T.

DIRECTOR STOREY MOVES ON. Wisconsin Lottery Director David Storey left the Lottery on January 4 to become Deputy Secretary of Wisconsin's Department of Commerce. Lots of luck, David.

IGT, ANCHOR DEAL COMPLETED. Anchor Gaming is now a wholly owned subsidiary of International Game Technology, joining the biggest with a biggie. This is a stock-for-stock deal that was completed on December 30. Anchor common shareholders get one common share of IGT. Anchor stopped trading on NASDAQ as of December 28. Anchor is bringing three business segments to IGT, gaming machines, operations and systems, ANDthree US lottery contracts in Florida, Pennsylvania, Maryland and Minnesota. Anchor's most recent agreement with the Pala Band of Mission Indians and Jerome Turk pays Anchor \$77 million over a several year period as Turk becomes the sole owner and manager of the San Diego casino.

MERGER TIDBITS. IGT and Anchor shareholders both approved the deal by a 98 percent vote. IGT will assume about \$367 million in Anchor debt. Remaining competitors in various segments of business, not including lottery, are WMS Industries, Alliance Gaming, Shuffle Master, and Multimedia Games. Goldman Sachs raised its FY 2002 earnings

estimate for IGT, upping the price target from \$70 to \$85 a share.

IT REALLY HAPPENED! In anticipation of 2002, lots of Massachusetts Lottery pick 4 Daily Game players played 2-0-0-2 on New Years Eve. And, by golly, what came up? 2-0-0-2! Lots of winners and a rather small payout for the game of \$280. Happy New Year and a really lucky 2002. Another lucky group, the 0-0-0 Daily players in Pennsylvania hit the magic three on Christmas Day for the third time in 2001.

FLORIDA LOTTERY AIDS TOURISM. Florida Lottery players will soon have the opportunity to cash in non-winning tickets for Florida hotel and attraction discounts. Later this month they will Play FLA USA, a \$2 ticket with a top prize of \$10,000 and some great vacations. Didn't win--no problem--six sponsors have anted up \$45,000 to \$75,000 each for some great second chances. The "Stay Here, Play Here" promo will be given an assist with \$4 million of the Lottery's \$32 million ad budget.

BEST SCRATCH IN 30 YEARS. The Pennsylvania Lottery celebrated a new high in 30 years of instant sales the week of December 18 with five holiday games, including a \$20 sales winner, plus a couple of others selling more than \$23 million. For the fiscal first half, instant sales are up 23 percent over that period compared to last year. Missouri Lottery instants are way up too, 14 percent, attributed too more \$5 and \$10 prizes.

CALIFORNIA SCRATCHER PROMOTION. The California Lottery will hold a special second-chance promotion next month, giving away a million in prizes, ranging from \$1000 to \$25,000. The promotion comes from a change in procedure some time ago that ends the game when only one top prize has not been claimed and starts to close the game down when only one remains. When the last top prize is claimed retailers, are notified to stop selling and posts the information for the players. The Lottery is also using a disclaimer on its advertising, saying, "After game starts, some prizes, including top prizes, may have been claimed." A lawsuit was filed in 2000 contesting the practice of selling games after the top prizes were claimed, calling it false advertising. The case is expected to go to trial next month.

ONCE TRAINS, BY TOUCH. There is training and there is training, but the coming of the Euro on January 1 was a dramatic switchover for ONCE, Spain's lottery for the blind. The Lottery has 58,000 employees, most visually impaired. Besides the new exchange rates, they had to learn, by touch, the new coins and bills. More than 23,000 sellers have gone through a six-hour course which includes learning how to differentiate the small notes that differ only by size and the large ones where you can feel the difference, but with use, feel the same. ONCE is also changing the price on some games to make it easier to conform to the Euro.

MORE MONEY FOR WINNERS. As of January 1, lottery winners will see more money as the federal withholding tax takes it second drop to 27 percent from a high of 28 percent.

Over the next four years it will gradually drop to 25 percent. Don't think anyone will wait for that.

FANTASY 5 NEW YEAR BONUS. The Georgia Lottery Corp added the leftover Lotto Georgia money to its more than a half million Fantasy 5 top prize for a special New Year's Eve bonus drawing of more than a million.

OHIO'S SMITH PROMOTED. Sheila Smith has been promoted to Deputy Director of Product Research and Development for the Ohio Lottery, overseeing the instant, on-line and research departments. Smith has been with the Lottery for 25 years, and most recently served as Instant Ticket Product Manager.

A CONNECTICUT WINNER. After nine months of rolling, Connecticut's Lotto game produced a \$28.5 million winner (\$10.6 million lump and after taxes). Largest single winner ever in the history of--she wants new tires and to fix up her house. Sure sounds possible.

DDB WORLDWIDE GETS CALIFORNIA AWARD. DDB Worldwide Communications Group was named the winner for the California Lottery general market ad account. The four-year contract has a one-year option and is valued at \$100 million. The current agency is Grey Worldwide.

CALIFORNIA FIRM GETS CAMELOT BUSINESS. California-based Interwoven Inc. will supply UK National Lottery operator Camelot with its Content Infrastructure software product suite to underpin Camelot's Interactive Web strategies.

KOKKALIS GREEK BUSINESS LEADER. INTRACOM owns INTRALOT and Socrates Kokkalis heads it all. As such, Kokkalis was voted the most successful Greek business leader and manager and INTRALOT the most successful business in Greece for 2001. The research was done by Pricewater Coopers.

OKLAHOMA NEXT? Pro lottery forces in Oklahoma say they will get one, one way or another. The revenue will go to education and the means to the end include legislation that will lead to a ballot vote or enough signatures to get on the ballot to ask the question. OK Oklahoma.

CRIME DID NOT PAY. A retail clerk in Kansas tried to pull a fast one with a winning ticket, telling the player he won only \$100. The suspicious player called the Kansas Lottery and they got it figured out, the ticket was worth more than \$250,000. Clerk charged.

LOTS MORE SLOTS. The Indian gambling compacts in California, okayed since voters amended the Constitution to allow for expansion, have those cherries ringing and singing as 46 casinos doubled their numbers from just 19,000 machines to 40,883. The Governor's office say the cap is at about 45,000, but legislative analysts say it could go to 113,000.

LAWSUIT THREATS. Gaming expansion anti's in New York are threatening lawsuit or suits challenging legislation

allowing VLTs, casinos and a multistate: Anti's in Ohio are doing the same on a multistate. In Oregon, the anti's plan to collect signatures for a 2002 ballot proposal to stop the state from adding slot-type games to the VLTs.

NEBRASKA SENATORS AGAINST. There may be two petitions (still need signatures) on the November ballot to allow video slots or as put, "player-activated gaming devices," in the state, including in the Keno locations. However, a recent survey of the 49 state senators shows 31 opposed and another five leaning to opposed. Keno and charitables getting hit hard by riverboats and casinos in Colorado, Kansas, Iowa, Missouri, and South Dakota.

ITALY BINGOS. The popularity of Italy's favorite game, tombola, may be replaced soon as more than 400 bingo parlors are set to open with another 400 coming. The government will get 23.8 percent of the revenue.

DID YOU KNOW? From a South Carolina spokesperson: In 1996, 91 people were killed by lightning, but 4,500 people won \$100,000 or more by playing a lottery. 'Nough said.

MARK YOUR CALENDARS

SMART-TECH 2002

February 3-6, Ritz Carlton- Atlanta, Atlanta, Georgia

Co-hosted by the Georgia Lottery Corporation

ILAC CONGRESS 2002

April 6-9, Hilton Cancun & Golf, Cancun, Mexico

Co-hosted by the National Lottery of Mexico

INTERNATIONAL LOTTERY EXPO 2002

August 1-4, Loews Miami Beach

Co-hosted by the Florida Lottery

DON'T FORGET YOUR NEW YEAR RESOLUTION. Not the one about the diet. The one you should make to send your Morning Report news to Sharon Sharp. Phone (312) 649-6577; Fax (312) 649-9863; Email: pgrinst@aol.com. Feels really good to share.

LOOKING FOR MORE INFORMATION ON SMART-TECH? If you are on the supply side of the lottery industry--or want to be--call David Mello at (202) 244-9301. David can tell you about some easy and efficient ways to participate.

EAT YOUR HEARTS OUT. El Gordo is over, giving away \$1.26 billion in prize money with a top prize of \$1.6 million on a ticket. The big winners were a music and dance company from the Canary Islands. The number: 18,795. But the big news for us lottery folks is--on average--each and every person in Spain bought \$41 in tickets. Fat, fat, fat, Fat One, with sales up seven percent this year.

SMART-TECH: HOTEL ALERT! Please make your room reservations at the Ritz Carlton-Atlanta (not the Buckhead location) this week, for sure: Tel. (404) 659-0400.

THIRD PAGE OF MORNING REPORT

Announcements, promotions and advertisements of interest to readers of **MORNING REPORT** and **PublicGaming International Magazine**

SMART IDEAS

at

SMART-Tech 2002

Co-Sponsored by
Public Gaming Research Institute
and the
Georgia Lottery Corporation

February 3-6, 2002
Ritz Carlton-Atlanta
Atlanta, Georgia

YOU ARE INVITED to submit your SMART IDEAS to Public Gaming Research Institute for inclusion in the annual SMART IDEAS program at SMART-Tech 2002.

Lotteries and suppliers may submit brief summaries (one page or less) of ideas that are having a positive effect on the lotteries.

The three categories of SMART IDEAS for consideration are as follows:

1. THE APPLICATION OF NEW PRODUCTS AND THE RESULTING BENEFITS.
2. REVENUE ENHANCEMENTS RELATING TO GAMES, PROMOTIONS, TECHNOLOGY.
3. COST REDUCTIONS THAT RESULT IN INCREASED NET REVENUE FOR THE LOTTERY

The SMART IDEA awards will highlight the creativity of lotteries, lottery staffs, lottery suppliers and supplier staffs.

PGRI will present 1st place and 2nd place awards for both lotteries and for suppliers in each of the three categories.

OTHER CATEGORIES. Have an idea that is important to a lottery but not obviously covered by the three categories? Submit it and we will define a new category to cover it for the 2002 meeting and, if it makes sense, we will continue that category for future SMART-Tech meetings.

PRESENTATION OF SMART IDEAS

SMART IDEAS will be presented to the audience at SMART-Tech on Tuesday, February 5, 2002. Each presenter will be allotted five minutes for their SMART IDEA presentation. The audience votes will determine the winners.

AWARDS FOR SMART IDEAS

SMART IDEA awards will be presented at the end of the General Session on Wednesday, February 6.

SUBMISSION OF IDEAS

Please fax or E-mail your SMART-IDEA summaries to:

Elsie Grote, Conference Coordinator
Public Gaming Research Institute
Fax (425) 803-6830
Telephone: (425) 803-2900
E-Mail: ELSIPEGRI@AOL.COM

Please do not waste your time preparing fancy submissions to PGRI – it is the audience at SMART –Tech that will be voting for the winners – save your fancy stuff for them.. PGRI simply needs to know enough to plan the timing of presentations and awards.

For more info: WWW.PUBLICGAMING.ORG

FOURTH PAGE OF MORNING REPORT

(You've got to be kidding – a fourth page?)

Well, as you can see, we are totally abusing the original concept of **MORNING REPORT**, of providing a quick-read of important news, in favor of piggy-backing whatever is useful to PGRI at the moment.

And for now, what Public Gaming needs is to make sure that everyone knows how to register for SMART-Tech 2002 and how to make hotel reservations for the conference.

So, here are the details in case you have not already received them:

CONFERENCE
SMART-Tech 2002

CONFERENCE THEME
The Name of the Game is Growth

CO-HOSTS
Public Gaming Research Institute, Inc.
And the
Georgia Lottery Corporation

DATES
February 3-6, 2002
Beginning at 3 PM
and ending on
February 6 at 11 AM

PLACE
Ritz Carlton-Atlanta Hotel
181 Peachtree Street, N.E.
(not the Buckhead location)
Atlanta, Georgia 30303
Web site: www.ritzcarlton.com

FOR HOTEL RESERVATIONS

Telephone: (404) 659-0400
Or telephone: 800-241-3333
Fax (404) 688-0400

Be sure to mention SMART-Tech.

Rates: Government: \$160 per night, single or double plus taxes and miscellaneous
Non-government: \$180 per night

CONFERENCE REGISTRATION

Fax, call, E-mail or mail your registraton to:

Elsie Grote, Conference Coordinator
Public Gaming Research Institute, inc.
4020 Lake Washington Blvd, N.E, Ste 100
Kirkland, Washington 98033 USA

Fax (425) 803-6830
Tel. (425) 803-2900
E-mail: ELSIEPGRI@AOL.COM

Fees: No charge for government
\$795 for non-government
Pay by credit card or check in advance

TO SPONSOR

To be the sponsor of one of the four food functions of SMART-Tech 2002, please contact:

David Mello, VP, Marketing and Sales
Public Gaming Research Institute, Inc.
Tel. (202) 244-9301 or (425) 985-3158
E-mail: davemello@earthlink.net

TO EXHIBIT

There are twelve *Circles of Learning* exhibit areas at SMART-Tech. To exhibit, contact:

David Mello, VP, Marketing and Sales
Public Gaming Research Institute, Inc.
Tel. (202) 244-9301 or (425) 985-3158
E-mail: davemello@earthlink.net

For more info: WWW.PUBLICGAMING.ORG