

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

Public Gaming Research Institute Inc.'s

INTERNATIONAL MORNING REPORT

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KYLE RETAINED IN VIRGINIA. Virginia's new Democratic Governor, Mark R. Warner, has decided to keep Penelope W. Kyle as director of the state lottery, a position she has held since 1994 under two Republican governors. For the past seven months Kyle has continued in her position while remaining uncertain whether she would be retained as Director. Congratulations Penny!

SOUTH CAROLINA PASSES BUDGET. The SC Education Lottery Commission passed a \$617 million budget for the lottery during the 2002-03 fiscal year. After the cost of prizes and expenses, the Lottery is expected to yield \$189 million. Original plans called for spending only \$179 million in Lottery funds from the first full year of operations, but a better than expected first six months, and the addition of Powerball, led to a revising of expectations.

CALIFORNIA SELECTS NEW AD FIRM. The California Lottery selected Foote, Cone and Belding of San Francisco as its general market advertising agency. The contract was previously held by Grey Worldwide. The contract is for five years with an option to extend for one additional year and is worth up to \$125 million. The award of this contract will be brought before the California Lottery Commission on August 16.

QUEBEC LOOKS INTERNATIONALLY. Loto-Quebec and CDP Capital-Amerique announced the creation of a joint venture dedicated to the development of casinos on the international scene. The creation of this new enterprise constitutes a major milestone in terms of Loto-Quebec's international development strategy. The immediate priority of the new enterprise is to pursue existing initiatives with Mexican authorities in the eventuality that casino legislation will be implemented in that country. While no contracts have yet been signed, Loto-Quebec is extremely interested in becoming involved in the establishment of casinos in such major

tourist centers as Puerto Vallarta, Acapulco and Cancun.

SCEL CROSS-PROMOTES WITH LOCAL AQUARIUM. The South Carolina Education Lottery released a new scratch game called "Shark Cash." The scratch game incorporates a cross marketing promotion with The South Carolina Aquarium and every ticket entitles the player to a \$4 discount from the aquarium's \$14 admission fee. Players can also win one of 500 aquarium memberships. Three million "Shark Cash" tickets have been printed. The promotion ends when all the tickets are sold. The aquarium will not receive any revenue from ticket sales. However, it did sell the 500 memberships to the lottery and will benefit from the exposure. The SCEL may strike similar promotional deals with other organizations.

NOT 18? NO WAY! NO PLAY! The Kentucky Lottery unveiled a new campaign called, "Not 18? No way! No play!" It's designed to remind parents, adults, and youth that no one under the age of 18 should be playing the lottery. The campaign includes an edgy black and red logo done in both English and Spanish. In addition to the new logo that will be placed on Lottery vending machines, ticket dispensers, and other locations at the point-of-sale, the Kentucky Lottery unveiled three "Not 18? No way! No play!" television spots that feature nationally recognized personalities. They include spots by Nappy Roots NBA center Felton Spencer and actor Anthony Anderson who starred in "Big Momma's House" and "Me, Myself, and Irene," among other films and television shows.

NEW GAMES FOR PA. The Pennsylvania Lottery introduced two new instant ticket games last week. The \$3 Magic Numbers, with a top prize of \$30,000 will give away more than \$6.8 million, while the \$2 Pyramids of Gold promises a \$25,000 prize.

CYBER WAGERING IN NJ? New Jersey Assemblymen Anthony Impreveduto and Nicholas Asselta are sponsoring bills that would legalize Internet gambling in their state. Impreveduto's bill would legalize virtual gaming over the Internet, while Asselta's would allow for remote wagering on live games at Atlantic City casinos. Currently, both measures are stuck in committee.

MONTANA SHOOTS DOWN NEW VLT TAX. A Montana legislative committee decided not to change the tax on video poker and keno machines. Members of the House Taxation Committee voted 17-3 to reject a proposal to double the current 15% tax rate in businesses with six or more machines and decrease to 10% the rate on businesses with five or fewer machines. The State Revenue Department had estimated that the tax change would increase revenue \$113.8 million over the next three years.

GLOBAL LOTTERY BY 2003? A global lottery to help fill United Nations' coffers could become reality within 18 months. Martti Ahtisaari, a former president and UN peace broker, said the UN agreed to a project with the WLA, and if given the green light, could be running by late 2003. The plan was originally proposed by Ghana in 1972, but failed to win sufficient backing.

LOTTERY IN BERMUDA? Bermuda Football Association president Larry Mussenden said the Bermuda Government should start a national lottery to help fund sports and the arts. He is pushing for a lottery based on the UK and Caribbean models.

OKLAHOMA CANDIDATE WANTS LOTTERY. Brad Henry, a Democratic Oklahoma Governor candidate has gone on record as being in favor of a state lottery, as long as proceeds are earmarked for education. He believes the state can net \$300 million a year from a lottery. In the past, Henry sponsored a lottery bill in the state Legislature but took it off the floor when it was obvious he was short the necessary votes.

CHINA LAUNCHES INVOICE LOTTERY. Last week Beijing became the first Chinese city to launch a lottery on invoices to encourage better tax paying. Consumers will be encouraged to ask for an invoice from businesses with the lure of a lottery prize ranging from 100 to 5,000 Yuan. The lottery invoice would increase the likelihood of businesses keeping receipts, making tax evasion difficult.

LOTTO FEVER RETURNS TO TAIWAN. Taiwan's Public Interest Lottery reaped the rewards of a record jackpot last week. The NT\$750 million prize sent players into a frenzy, as tickets started selling at the rate of NT\$33 million per hour. The mania reached such a level that the Taipei Bank issued emergency announcements urging the public to remain calm. In the end, six different parties split the record prize.

PHILIPPINE LAWMAKER SEEKS MOBILE PHONE PROBE. Philippine Congressman Mathay III filed a resolution asking for a congressional probe into Mobile Phone games featuring the card games Poker, Lucky 9, Indian Poker, Black Jack, In Between and Pusoy. He claims the games, run by Smart Communications, are encouraging gambling, particularly among the young. Smart is the country's largest and fastest growing cellular operator with over four million subscribers.

COMPANY ANNOUNCEMENTS

COHEN RESIGNS. The Board of Directors of GTECH accepted the resignation of Howard S. Cohen as President, Chief Executive Officer, and Director, and appointed W. Bruce Turner, GTECH Chairman, to replace him as President and Chief Executive Officer. The appointment of Mr. Turner will take effect immediately. It is the expectation that the Board will elect a new non-executive Chairman in the near future.

INTRALOT TO SUPPLY TURKEY. Inteltek, a joint venture formed by Intralot Group and Cukorova Group, has been selected to supply and operate an integrated on-line system and services to SPOR TOTO Organization of Turkey. The five-year agreement includes the launch of eight sport games and the installation of a network of up to 6,000 terminals throughout Turkey. A key element of this agreement is the use of alternative distribution channels such as telephony networks (mobile and fixed), Internet and digital TV.

ABACUS INCREASES SHARES OF PCSO. Abacus Gaming Technologies, Inc. will purchase a part of the 15% stake of Kuok Philippine Properties, Inc. in Pacific On-line, Inc., the company that leases equipment to Visayas-Mindanao's Philippine Charity Sweepstakes (PCSO) lottery operations. The shares, which are being sold for P25 million, will affectively increase ABA GT's stakes in Pacific On-line from the current 30%.

ARISTOCRAT SIGNS FOXWORTHY. Aristocrat has signed an agreement to license the image of comedian Jeff Foxworthy for a new line of slot machines. It's the first licensing agreement for Aristocrat since Kenny Rogers' "The Gambler" in 1996.

CELL PHONE GAMES LAUNCHED. Verizon and Sprint became the first U.S. carriers to offer color, downloadable games to subscribers of their high-speed, next-generation networks. Mobil subscribers download the games from the network and pay a nominal fee.

LOTTERY RFP

BCLC TERMINAL RFP. The BCLC has issued a RFP for Lottery Terminals - Competition Number 0203-020417 dated August 6, 2002. Only companies currently supplying the lottery industry with proven terminal technology may apply, and a request for the RFP must be made in writing; solicitations by phone will not be accepted. Eligible companies requiring a copy of the RFP document may write to British Columbia Lottery Corporation, 74 West Seymour Street, Kamloops, British Columbia V2C 1E2; email purchasing@bclc.com -- Attention Jeff Warren Senior Buyer; or fax (250) 828-5678 and -- **include the following pre-qualifying information:** Name of company; Address; City; Postal Code; Country; Contact person; Phone Number; Fax Number; Email address; Current lottery jurisdiction(s) using terminals; How many terminals installed; and How long the company has been in operation. The RFP will be sent by courier and can **NOT** be emailed due to printed examples within the RFP. Closing date is Friday October 4, 2002 at 14:00 hours local time.

PEOPLE & JOBS AVAILABLE

VIDEO LOTTERY EXPERT WANTED.

Position available in Guatemala beginning in August for person experienced in overseeing video lottery operations. One-year contract with renewal option. Compensation: US\$75K to US\$90K. E-mail resume and availability to: duaneburke@aol.com.