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GAMING

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

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To: Lottery, Video Gaming & Racino Executives
Interested in Growth, Expansion & Added Success

Public Gaming Research Institute Inc.'s
International

Morning Report

Your weekly supplement to
**Public GAMING International
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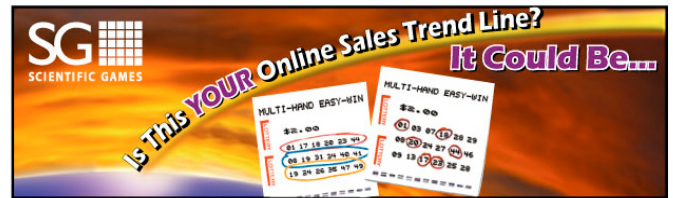
ALC LAUNCHES INTERNET SALES. After more than five years of research and development, the Atlantic Lottery Corporation will soon offer existing lottery products to Atlantic Canadian adults through a secure and controlled environment on the corporation's website. The products to be offered are: LOTTO 6/49, Atlantic 49, LOTTO SUPER 7, TAG, Atlantic PAYDAY, PRO-LINE, and OVER/UNDER. The website, called PlaySphere, will be available in early August 2004. PlaySphere is expected to appeal to consumers who already do their shopping and banking online, and who do not regularly visit traditional lottery outlets.

POWERBALL LAUNCHES IN MAINE. Powerball was launched last Friday (July 30) in Maine, making it the 29th jurisdiction to offer the game. Players who bought tickets were eligible for the Saturday, July 31 drawing. Since the game launched so late in the week, we don't have any sales figures yet. Check next week's Morning Report for an update.

AGE CHECKING DEVICE PROVEN TO PROTECT CHILDREN. A leading UK children's charity NCH, GamCare and Citizencard, revealed that the ID authentication scheme developed jointly by CitizenCard and Experian, successfully prevented its mystery shopper, a 16-year old girl, from registering her details online and gambling. The report tested a sample of gambling sites and found that only seven out of 37 gambling sites had the measures in place to stop a 16-year old from registering and being exposed to gambling. Both Ladbrokes and Camelot use age verification systems delivered by Experian to block accounts for under-18s and under-16s (in the case of the National Lottery).

OH TO LICENSE, MONITOR CHARITABLE BINGO.

Ohio Attorney General Jim Petro announced that his office has signed a Memorandum of Understanding with the Ohio Lottery Commission that transfers the administration and monitoring of Charitable Bingo licensing to the Ohio Lottery. The change is expected to improve efficiencies and allow for better overall accounting of money raised for charitable purposes.



SECOND CHANCE TO WIN IN VA. Virginia Lottery players, especially those with Internet access, like second-chance drawings. In one year, Internet entries have more than doubled – and rocketed from 39% of total entries to 61% of total entries. Three Harley-Davidson drawings in 2003 drew 171,000 entries (67,000 Internet). Two drawings for Corvette convertibles in late 2003 drew 198,318 entries (100,318 Internet). A Ford F-150 drawing in 2004 attracted 233,676 entries (142,676 Internet). These numbers are sure to increase this fall when the Virginia Lottery will conduct two more drawings: one for a second F-150 truck and one for a 2004 Ford Mustang convertible.

RECORD PROFITS FOR IDAHO. Idaho Lottery director Roger Simmons, accompanied by Lottery Commissioners, presented Governor Dirk Kempthorne with a symbolic check for \$25 million, representing a record transfer from the Lottery to Idaho public schools and buildings. The Lottery reached the record figure by breaking the \$100 million sales barrier for the first time. The beneficiary dollars are more than \$4 million higher than anticipated. Simmons attributed the sales boost to several large Powerball jackpots and promotional tickets for the Lottery's 15th anniversary.

IN SHATTERS SALES RECORDS. Indiana citizens hit the jackpot as the Hoosier Lottery shattered sales records in fiscal year 2004 (FY04) with \$734 million in total sales (up 10% from FY03) and \$422 million in scratch-off ticket sales (up 9.3% from FY03). These record revenues, combined with a significant reduction in expenses, fueled a remarkable 13.5% (\$24 million) increase in profits, totaling nearly \$200 million. The largest categorical cut in expenses was associated with the Lottery's TV game show which produced a dramatic \$6.2 million reduction in expenses, a 47% decrease. Other cost reductions included \$1 million savings in telecommunications expense and an additional \$1 million savings in scratch-off ticket printing costs.

LA REPORTS HIGHEST SALES IN YEARS. Louisiana Lottery officials announced that the Lottery Corporation finished the fiscal year that ended June 30 with revenue of \$340 million. This is the highest ticket revenue since 1994 when sales reached \$351 million. The state's share of that figure is \$121.2 million. Scratch-off sales were \$111.4 million, the highest since 2001. Sales for the lottery's online games hit \$228.7 million, the highest since 1993.

NM PROFIT BREAKS RECORDS. For the fifth consecutive year, the New Mexico Lottery Authority is reporting record net income for the Lottery Success Scholarship program. The record profit of more than \$35.9 million is FY04. Earlier this month, the Lottery Authority reported record-setting sales exceeding \$148 million for the fiscal year. It was the seventh consecutive year of sales increases since operations began, only the second U.S. lottery to achieve that milestone. The \$35.9 million dividend for the Lottery Success Scholarship program is \$2.8 million higher than last year's. All figures are preliminary and unaudited.

CA LAUNCHES CROSSWORD. Featuring a top prize of \$20,000, California's latest \$3 instant, Crossword, will allow players to enjoy the familiar game theme they grew up with. Prizes range from winning a free ticket to the top prize of \$20,000. Overall odds of winning any prize are 1 in 3.58.

QUEBEC EXTENDS EVENT SPONSORSHIP. Loto-Québec will continue to lend its support to Les Grand Feux Loto-Québec until at least 2007. Attracting huge crowds every year, the world-class musical fireworks competition is a major event whose economic impact is widely felt in the community.

INTERNATIONAL NEWS

MAURITIUS RFP. The Government of Mauritius, represented by the Ministry of Finance and Economic Development (MOFED), wishes to publicly announce the upcoming international procurement process for the implementation and operation of an On-Line Mauritius National Lottery. The Request for Proposals is expected to be released beginning of October 2004, with an expected proposal due date by the end of November 2004. A Pre-procurement Statement of Principles document with further information is available for all interested parties upon request via MOFED. To obtain this document, please make a written request to MOFED, att. Mr. K. Gupta, Financial Secretary, fax no. +(230) 211 0096, Subject: *On-Line Lottery Pre-Procurement Announcement*.

CAMELOT HIRES TEAM TO TEST NEW SYSTEM. Camelot has hired a team of 40 experts from Tescom to confirm that technology to support new interactive offerings will operate efficiently. The Lottery is especially interested in seeing that its new Internet sales channels testing requirements is not stretched internally as a result of launching new products.

6/49 LAUNCHED IN KENYA. A Bulgarian firm, 1st Lotto Limited, has launched a Toto 6/49 lotto game in Kenya. Lotto entry forms are available in denominations of Sh5, Sh20 and Sh60.

TWO NEW LOTTERIES IN COLOMBIA. Two new lottery online lotteries have been launched in Colombia, both

based on the Baloto system operated by GTECH. Loteria de Bogota is anticipating annual revenues of \$1 billion pesos (US\$382,000). Tickets cost 5,000 pesos each. Super Astro Millonario will combine its online service with daily draws broadcast over television networks. Ticket prices range between 100 and 20,000 pesos. The maximum win is 40,000 times the original bet.

NZLC REVAMPS LOTTO. The New Zealand Lottery Corporation's Lotto is about to have its biggest overhaul since the start of the game 17 years ago. The Lottery is looking to add excitement and make it easier to play. In response to player demand Guaranteed Millionaire is being removed, and the jackpot will now rollover. The second tier prize is being increased five times to \$20,000. Prizes in all other divisions will also increase. There's also a new price of 60c per line (up from 50c), one of the bonus balls is being removed (only one remains, and there's now a live game feature that gives every ticket holder another chance to win a million dollars, or other great prizes, each week.

RECORD BULGARIAN JACKPOT. People from neighboring countries are making trips to Bulgaria to take part in the Lottery's record high BGN 3.3 million jackpot. The largest jackpot won in Bulgaria was BGN 2.83 million, won in 2001.

HUNGARIAN LOTTERY REVENUE UP. The Hungarian Lottery, Szerencsejatek, reported revenue of HUF 56bn (EUR 225.3m) in the first half of 2004, up HUF 5bn from the same period a year earlier. The company expects an annual revenue of HUF 110bn, compared to the HUF 103bn target, and pre-tax profit of HUF 3.1bn. Szerencsejatek will introduce six new online games next year.

KARNATAKA BANS SEVERAL LOTTERIES. India's Karnataka Government has banned the operation of all online lotteries in the state. The ban is effective immediately. The ban covers all lotteries conducted through vending machines or other electronic devices and the Internet.

LOTTOMATICA SELLS BINGO STAKE TO CIRSA. Lottomatica announced the sale of its 50% stake in Global Bingo Corporation, S.A., a company incorporated under the laws of Spain and a leader in the Spanish Bingo sector, to Cirsa Business Corporation S.A. The price will be equal to 64 million Euro. The closing is expected by January 31, 2005, subject to obtaining the mandatory authorizations.

VIDEO GAMING/RACINOS

TWO OF SEVEN PA COMMISSIONERS APPOINTED. The Pennsylvania Government appointed its first two members to the state's new gambling commission that will oversee the operations of 61,000 slot machines in 14 facilities. **Joseph W. Marshall III**, the chairman and chief executive of the Temple University Health System and a former chairman of the state Ethics Commission, was the first appointment to the commission. In a second appointment, Attorney **Bill Conaboy**, general counsel and corporate compliance officer for the Clarks Summit-based Allied Services, was also named to the commission. Both appointments were made by members of the State legislature.

SOUTH FLORIDA VOTERS TO DECIDE ON SLOTS. On November 2, voters in Florida's Broward and Miami-Dade counties will decide whether seven dog tracks, horse tracks and jai-alai frontons will add slots. If approved by voters statewide, the amendment would trigger separate referendums in Broward and Miami-Dade on whether to allow the machines at locations in each county. It's been estimated that the machines would generate more than \$2 billion towards education in five years.

ISLE OF CAPRI ONE STEP CLOSER TO IL CASINO. The Illinois Gaming Board has approved a plan that allows the bankrupt Emerald Casinos Inc. to sell its license to Isle of Capri Casinos Inc. The board's decision removed a major hurdle for a casino in suburban Rosemont, despite opposition from state Attorney General Lisa Madigan. The Gaming Board still must investigate whether Isle of Capri is suitable to run an Illinois casino before a license is approved.

CITIZENS WANT VLTs ON FERRY. A New York bill to put a few VLTs on a Lake Ontario ferry has passed the state Senate and is being debated in the Assembly. In a recent poll it was found that around 60% of Monroe County residents (more than 500 were polled) were in favor of the idea.

NE POLL FAVORS CASINOS. A poll, released by the Keep the Money in Nebraska Coalition, found that 54% of randomly selected Nebraskans would likely vote in favor of legislation legalizing casino gambling in the state.

OK GAMBLING PROSPECTS GOOD. A recent poll found that 61% of registered Oklahoma voters are in favor of a lottery. Racinos hold a less commanding lead in the polls – Only 52% of voters favor them. Of course, the only poll that really counts will be conducted in November.

WV LIMITED VIDEO RIDING HIGH. The success of West Virginia's Limited Video Lottery Program has garnered national attention. By the end of April 2004, the Lottery's Limited Video Lottery sales were \$197.6 million for just ten months of the fiscal year. For that period, sales are 42 percent ahead of those realized last fiscal year. Limited video lottery sales were projected to reach \$219 million by the end of fiscal year 2004, but are now tracking at approximately nine percent above that level. The conclusion of the fiscal year should realize sales in the range of \$235 to \$240 million. Over 7,700 permits for Limited Video Lottery terminals have been issued, or are pending issuance, with over 6,750 terminals fully operating in over 1,540 retail locations throughout West Virginia.

COMPANY ANNOUNCEMENTS

FROST PRODUCTIONS PORTFOLIO ACQUIRED BY SCIENTIFIC GAMES. Scientific Games and Frost Productions have reached an agreement through which Scientific Games has acquired Frost's portfolio of more than fourteen licensed lottery properties. The licensed brands, including the very popular Fortune Cookie™ instant game theme, will be added to the library of lottery properties managed by Scientific Games' wholly-owned subsidiary, MDI Entertainment. Frost Productions has distinguished itself in the lottery industry by providing games

that offer players value and entertainment that go beyond determining whether tickets are winners or losers. Be it a funny cartoon, crossword puzzle, brain-teasing jumble or daily fortune, players never walk away empty handed.

GTECH ANNOUNCES GAMEPOINT. The GamePoint terminal dispenses both instant and online tickets, combining GTECH's online expertise and Interlott's instant ticket self-service leadership. The new offering is completely self-contained, providing a secure and player-friendly opportunity for the sale of instant and online lottery products.

INTRALOT AWARDED SPORTS LOTTERY LICENSE IN COLOMBIA. Intralot, following an international tender, signed an agreement with the Colombian state regulator body ETESA (Empresa Territorial para la Salud) for the exclusive license regarding the operation of sports lotteries in the country. The agreement has duration of 5 years - with a 2.5-year renewal option- and foresees the establishment of a sales network of approximately 5,000 points-of-sale throughout the country. Football is the most popular game in Colombia and the revenues from the operation of football prognostics are expected to increase rapidly over the duration of the contract. Intralot will install an integrated on-line lottery system using its LOTOS platform and state-of-the art terminals. Operations are expected to commence in the 2nd quarter of 2005.

MA SIGNS WITH POLLARD. Pollard Banknote has supplied the Massachusetts Lottery since 1999. Five years later, the company is entering a new contract to keep delivering instant tickets and services to one of the top performing lotteries in the United States and the world. The contract, which goes into effect in August, is for an initial term of two years. The Lottery can extend the term for up to three one-year periods.

MDI CREATES MEW GAMES WITH WORLD POKER TOUR THEME. MDI Entertainment announced it will create a series of new instant scratch-off and online lottery games that combine the patented play action of Texas Hold 'Em™ Poker with the high-stakes, high-style excitement of the World Poker Tour (WPT). In its instant lottery variation, World Poker Tour tickets feature the Texas Hold 'Em™ play style with multiple hands on each ticket. Each hand is reminiscent of a championship game, as the player goes one-on-one against an opponent with the goal of making a higher poker hand by combining their two "hole cards" with five "community cards."

NEW POLLARD BINGO CONCEPT OFFERS PLAYERS MORE VALUE AND EXCITEMENT. Pollard Banknote is offering lotteries the chance to revitalize player interest in their instant bingo line-ups with the introduction of Single Double Triple Play Bingo™. This proprietary product is based on the popular Double Play™ Bingo format. This enhanced version of instant bingo multiplies a player's chance to win by providing two or three numbers in some squares on the bingo card. The player only needs to match one number to mark that square.

SCI-GAMES AND CANTOR TEAM UP FOR PARI-MUTUEL. Scientific Games Corporation and Cantor Index LLC announced the formation of a global joint venture to

implement and market new, proprietary pari-mutuel bets. Cantor Index has developed new forms of pari-mutuel wagering and Scientific Games Racing will create the bet software and write the code enabling it to run on tote systems worldwide. The first bet is expected to be a variation of the traditional Pick Six bet when patrons pick winners in a pre-determined set of six races. With the new bet, fans can pick winners for any set of six (or other number of) races.

TELECOM INSTALLS MODULE FOR PA DRAW.

TeleCom announced completion of the installation and testing of the Pennsylvania Lottery's "Go for the Green" bonus Daily Number animated promotional drawing module. The Lottery's 13-day promotional bonus drawings started last week and is conducted using the Lottery's secured Random Animated Digital Drawing System, or (RADDS®) installed last year to facilitate daily mid-day game draws which are streamed to the Lottery website.

PEOPLE

Stephen A. Meehan most recently from the Comcast Corporation and formerly of the Pennsylvania Lottery has been named Deputy Director of Sales at the Maryland State Lottery Agency. Mr. Meehan served as a sales and marketing researcher for Comcast and was Deputy Marketing Director of the Pennsylvania Lottery for seven years. The Philadelphia native is enjoying Maryland life and looking forward to working with the sales team and its goal. Mr. Meehan will officially join the agency on Monday, August 2, 2004.

Cliff Nolan has taken up the reigns as General Manager at the Barbados Lottery. For the past three years he was Operations Director at BICO Ltd., and prior to that, General Manager of Ice Unlimited Inc. from 1990 – 1999. Mr. Nolan is still a member of the Board of Directors at these companies.

CASE STUDIES

FOCUS ON NEW YORK

Contributed by the New York Lottery

How do you turn a dollar into over \$12 million in six short weeks? – promotion, promotion, promotion!

For the past 14 years, the New York Lottery has marketed a horse racing-themed Instant game ticket to commemorate the Empire State's rich thoroughbred racing history. 2004 was no different. The Lottery's \$1 *Fast Cash Finish* ticket offered a modest top prize of \$1,500 and yet, on opening day of the 2004 racing season at Saratoga Race Course, this little 2" x 4" ticket generated the kind of excitement typically reserved for a jackpot prize in the millions. Why? Because the New York Lottery was successful in its efforts to build a high level of perceived value around the ticket that complemented the excitement and expectations of racing fans who came to Saratoga to be part of opening week festivities.

The Lottery excitement started with the launch of a regional second-chance sweepstakes offering customers a chance to win one of 50 weekend trips for two to Saratoga. Entry forms were available at more than 10,000 retail locations in four major markets. The Lottery received more

than 23,000 entries. The first group of 25 winners was treated to an all-inclusive opening weekend in Saratoga, including transportation, accommodations, meals and spending money so winners could thoroughly appreciate the "Saratoga experience." All of this in addition to entering the Winners Circle after the sixth race appropriately named Fast Cash Finish in their honor

And, the excitement didn't stop there. New York Lottery Director Nancy Palumbo was on hand at 5:30 a.m. on opening day of the track to conduct a series of sixteen live, pre-scheduled interviews with local and regional media outlets to capitalize on the popularity of the *Fast Cash Finish* ticket and the success of the sweepstakes promotion. Director Palumbo also used the interviews as an opportunity to invite race fans to participate in the full slate of activities the Lottery had planned in conjunction with its sponsorship of the 2004 Opening Weekend at the Saratoga Race Course, which included New York Lottery Day at the Track.

Lottery Day at the track was a special, one-day promotion offering free Track admission for everyone over 18 who showed a non-winning New York Lottery Fast Cash Finish ticket or other Lottery game. Race fans were then directed to the Lottery's event tent where they could participate in hourly drawings to win fashionable Lottery merchandise and, of course, more Fast Cash Finish tickets. The first 1,000 people who came to the Lottery tent automatically received a Fast Cash Finish ticket. As word of the excitement at the Lottery tent spread across the track, lines at the tent began to grow. One estimate put the length of the lines at more than 30 people deep at one time.

Lottery Day culminated with Director Palumbo entering the Track's Winner's Circle after a special New York Lotto Millionaire themed race in front of approximately 30,000 race fans to present oversized prize checks worth a combined \$33 million to two recent New York LOTTO winners. The prize check presentations were broadcast live on the Track's in-state satellite TV network that reaches an estimated audience of more than 9 million households. The pre-planned event also garnered extensive commercial media coverage, which translated into a number positive Lottery stories the following day.

*Once again, the New York Lottery was able to turn a seemingly limited promotional opportunity for an Instant game ticket into a multi-faceted, integrated marketing communications initiative. What started as an effort to promote a \$1 Instant game ticket with a top prize of \$1,500 turned into a five day celebration of the New York Lottery complete with exciting promotions, prizes and lots and lots of Lottery winners. It's all part of the Lottery's strategic plan to remain relevant to current players while attracting the attention of would-be players who can't help but notice the **fun and excitement** that define the New York Lottery.*

Submit material for next week's Morning Report by Wednesday of this week to Toddpgr2@aol.com

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