

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
February 9, 2004

VEKICH HEADS MN. Minnesota Gov. Tim Pawlenty named Michael Vekich acting director of the Minnesota State Lottery, filling the void left by George Andersen's unexpected death. Vekich is an accountant and business turnaround expert. He currently heads Vekich Associates and from 1997 to 2001 served as chair of the Minnesota State Colleges and University's board of trustees. Vekich will serve as acting director until the governor is convinced the Lottery's problems are addressed.

VA ISSUES RFP. In January, the Virginia Lottery issued a Request for Proposals for Instant Ticket Products and Services. For the first time in its 15-year history, the Virginia Lottery is seeking innovative proposals that include, in addition to instant ticket products, related services and equipment. Offerors should submit cost quotations as a percentage of instant ticket net sales. The Lottery expects to increase net revenue to the public schools of Virginia as a result of this new contract, expected to begin by July 1, 2004.

KANSAS PLAN FOR EXTRA GAMING. Kansas Gov. Kathleen Sebelius unveiled her plan for Kansas to operate up to five world-class destination casinos. The plan, which would receive funding solely from developers and be run by a private management firm under the eye of the Kansas Lottery, would also allow for up to 2,500 video lottery terminals to be spread throughout the state's five pari-mutuel tracks, and up to five video lottery machines at each of the 240 fraternal clubs in the state. If passed, each casino would bring in an estimated \$160 million a year, with the state pulling in nearly \$30 million, VLTs at tracks would net the state \$60 million, and machines at fraternal clubs would add an extra \$7 million a year.

TN LAUNCHES NEW TICKETS EARLY. The Tennessee Lottery began selling three more scratch-off games several days earlier than planned because of a shortage of tickets for its four original games. Scientific Games is printing new tickets of the original four games. The shortage was caused by sales that topped \$41 million after seven days.

LA DOUBLE-TEAMS WITH HORNETS. In addition to the chance of winning thousands of dollars on Louisiana Lottery scratch-off games, players can now get a \$10 discount on seats at any of the seven Hornets home games in February. To participate in the promotion, fans need to bring any five non-winning Louisiana Lottery scratch-off tickets to the New Orleans Arena box office. In return, they will receive \$10 off any Hornets ticket priced at \$40 or more.

2BY2 GOES FROM THREE TO SIX. Effective February 8, 2by2 will be drawn six nights a week. The game, which is offered by the Nebraska Lottery and the Kansas Lottery (and run by MUSL), will add Tuesday, Thursday and Friday to its Monday, Wednesday and Saturday drawing schedule.

SALES KEEP CLIMBING IN VA. The Virginia Lottery saw record sales in the 2003 calendar year. Unaudited results show total sales exceeding \$1.18 billion, or over 4% more than 2002. Scratch sales continue to experience double-digit growth, up nearly 13% at \$581.5 million. Daily game sales also set a new record at \$417.8 million.

EUROMILLIONS NEARS START DATE. The first drawing of the EuroMillions game will reportedly be held in Spain on Friday, February 13th, if Spanish officials give the final go-ahead. EuroMillions will be jointly run by Camelot, Francaise des Jeux and Loterias y Apuestas del Estado. For a wager of two euros (nearly US\$2.50), fifteen million euros (US\$18.6 million) will be on offered every Friday

CAMELOT STOPS SALES SKID. It is looking like Camelot will report an end to their slide in sales and profits. Lotto is still reportedly declining in the country, but the Lottery has created many new games, and has seen non-Lotto sales grow 18% over the last year, and now accounting for 30% of overall sales. The launch of EuroMillions is expected to boost sales even further.

LOTTOMATICA PLANS TO BOOST SALES. Lottomatica is hoping to double its instant sales to in 2004 by increasing its points of sale from 15,000 to 35,000 and investing €10 million in advertising.

BELGIAN LOTTERY SEES BIG INCREASE. The Belgian National Lottery closed its financial year 2003 with sales of 990.2 million Euro – an increase of 4.61% compared to 2002. These results confirm the success of the Lottery's recent change from parastatal institution to limited company of public law.

CAMELOT LAUNCHES ONLINE VALENTINE GAME. The UK National Lottery is to offer lucky Valentines the chance to win up to £4,000 with the launch of Cash Couples, a new online Instant Win Game with a romantic theme. Cash Couples, which launched on 2nd February 2004 at www.national-lottery.co.uk, costs £1 per play. Cash Couples is the latest chapter in an on-going collaboration between National Lottery operator, Camelot and NOWWASHYOURHANDS. The agency has designed the recently launched Cash Machine™,

which offers the biggest prize so far of all the Lottery's instant games.

COMPANY ANNOUNCEMENTS

BLING BLING THE NEXT LOTTERY THING. MDI signed a three-year agreement with THE GAMEOLOGIST GROUP, LLC for the worldwide lottery industry licensing rights to the name and marks of Bling Bling™. Bling Bling is a four-year-old expression traced to hip-hop music and the young adult, urban market, which today comprises about 45 percent of the U.S. population. Recently, the term has made its way into mainstream culture and has begun to attract more and more advertising dollars from Fortune 500 consumer goods companies looking to appeal to young adults. The term has its commercial roots in a 1999 song by a New Orleans musical artist named B.G., a member of the rap group Cash Money Millionaires. Originally used to describe diamonds, jewelry and other forms of showy style, Bling Bling has since broadened to include all things "cool, in vogue or over the top." Bling Bling gained mainstream traction in 2001 when the words were inscribed in diamonds on the NBA championship ring of the Los Angeles Lakers.

EGC ANNOUNCES NEW TECHNOLOGY, U.S. OFFICES. Electronic Game Card announced details of the release of its new gamecard technology, which promises customers increased functionality, customizability and cost-effectiveness. Customers will benefit from new features such as integrated timers, elements of sound, and LCD displays which allow customized iconography. Also, EGC recently opened its US offices in New York.

POLLARD SIGNS WITH CHRYSLER. Pollard Banknote has entered into an agreement with DaimlerChrysler to offer lottery games featuring the well-known brands Jeep® and Chrysler®. The deal includes the rights to market lottery games based on the popular Jeep Grand Cherokee, Liberty and Wrangler vehicles as well as the Chrysler Crossfire and PT Cruiser vehicles. The deal also gives Pollard the rights to feature Chrysler 300, Pacifica, Sebring and Town & Country vehicles on lottery games.

PRONOSTICOS CONTRACTS GTECH. GTECH has been selected by Pronosticos para la Asistencia Publica as the apparent successful vendor to provide equipment and services for a new online system and associated telecommunications network in Mexico under a proposed six-year contract. The Request for Proposal calls for the replacement of Pronosticos' existing system with new hardware and software. In addition, Pronosticos intends to replace its current terminal equipment and telecommunications network.

QUEBEC USES SMARTPLAY HALOGEN. New Jersey based Smartplay International Inc. supplied a custom Halogen machine to present up to twenty winning balls at Loto-Quebec's Celebration 2004 Grand Draw in mid-January.

SMARTPLAY CONTRACTED BY TELC. After the successful launch of four instant games, the Tennessee Lottery is gearing up for on line games.

New Jersey based Smartplay International, Inc. has been awarded a contract to provide Revolution gravity-pick drawing equipment for the upcoming launch of a three-digit game. The illuminated Revolution model met RFP demands for "bright and innovative" equipment, adaptable for a four-digit game.

BENCHMARK TO HOST "THE NUTS AND BOLTS OF P-O-P" SEMINAR. Benchmark Lottery Merchandising is pleased to invite lottery professionals to their seminar created specifically for those involved in the development and/or procurement of P-O-P materials. "Nuts and Bolts" will be held in Chicago from March 8-10, 2004 and is free of charge including all meals (delegates are responsible for hotel and travel only). According to Steve Casebeer, Senior Vice-President of Sales and Marketing for the Kentucky Lottery, "Our Advertising & Production Manager attended Benchmark's 'Nuts & Bolts Seminar' in September, 2002. This program broadened her knowledge of the materials and processes used in the production of high quality, cost-effective P-O-P items. The seminar problem-solving exercises, with attendees from other industries that compete for retail space, created a better understanding of how particular manufacturing materials and processes can improve retail impact and item durability, and, at the same time optimize budget management and delivery to the field. This has been a real benefit to the Kentucky Lottery. I highly recommend this seminar to anyone involved in lottery P-O-P production." For more information please contact Glenn Gratta at ggratta@benchmark.com or 847-353-6225.

THE LOTTERY GROUP LAUNCHES IN TEXAS. Former Texas Lottery employees Keith Elkins and Rob Kohler are proud to announce a new trade association called The Lottery Group. The Lottery Group was formed to serve the common, regulatory, legislative and educational needs of businesses engaged in selling Texas Lottery tickets and to serve as an active ombudsman for lottery players and winners.

LOTTERY PEOPLE

INTRALOT announced that **John Pantoleon** has been appointed as General Director of Finance and Development. Pantoleon joined INTRALOT in 1997 and most recently held the position of the Contracts Director. **John Katakis**, has been appointed as General Director of Commercial Division. He has been with the company since 1998 and previously served as Deputy General Director. **Costas Farris** has been appointed as General Director of Systems Technical Division and most recently was the Technical Director of the company.

Oberthur has promoted **François Durand** to Senior Vice-President of OGT's Operations, effective February 2. In his new role, Mr. Durand will coordinate OGT's global manufacturing, technological development, quality assurance, research and development and information technology activities.

Submit material for next week's Morning Report by
Wednesday of this week to Toddpr2@aol.com