

PUBLIC

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
Magazine**

January 17, 2004

**SMART-Tech 2005
KEYNOTE SPEAKERS**

Public Gaming Research Institute is pleased to announce the Keynote Speakers for SMART-Tech 2005 in Las Vegas at the Bellagio Hotel, February 28 to March 3, 2005.

The Keynote Speaker for February 28 will be Dr. Edward Stanek.

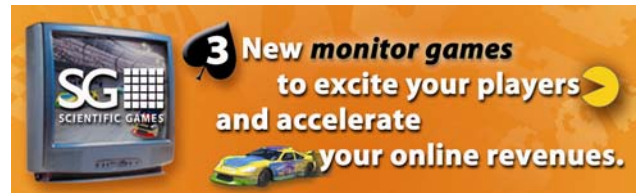
Dr. Stanek is President and CEO of the Iowa Lottery Authority, which he has headed since its inception in 1985. He is one of the world's leading lottery innovators and is the most experienced and most senior lottery leader in the United States. He was a co-founder and a past president of the Multi-State Lottery Association and was co-inventor of the most popular lotto game in the US, Powerball. He is currently chairman of the MUSL game development committee. Dr. Stanek is past president of the North America Association of State and Provincial Lotteries, past president of the International Association of State Lotteries, past member of the Executive Committee of Intertoto, and is currently vice president of the World Lottery Association.

The Keynote Speaker for March 1 will be Mr. Lorne Weil.

Mr. A. Lorne Weil has been a member of the Board of Directors since 1989 and Chairman of the Board of Scientific Games, Inc. since October 1991, Chief Executive Officer of the Company since April 1992 and President of the Company since August 1997. Mr. Weil was President of Lorne Weil, Inc., a firm providing strategic planning and corporate development services to high technology industries, from 1979 to November 1992. Previously, Mr. Weil was Vice President, Corporate Development at General Instrument Corporation, working with wagering and cable systems. Prior to that, he was a senior professional with the Boston Consulting Group.

COMPANY ANNOUNCEMENTS

SCI-GAMES LAUNCHES GETV NETWORK. Scientific Games Corporation and Greco & Emmi Creative recently announced the launch of GETV Network, a comprehensive television network with thousands of screens at existing on-track and off-track locations presently uplinked by Scientific Games Racing. GETV spans across the US, Canada and Caribbean and reaches approximately 500,000 + racing enthusiasts daily (based on turnstile and ticket sales). GETV offers advertisers a targeted, captive audience 15 hours a day, 7 days a week, 365 days a year. This audience is 52% male, 48% female with an average household income \$50,000+ and 51% married.



BOSS MEDIA SYSTEM CHOSEN BY LITTLEWOODS.

Boss Media signed an agreement with Sportech PLC - the parent company of Littlewoods Gaming - to provide a casino and poker system for Littlewoods Bet Direct Internet gaming site. Boss is to supply a Casino system with GBP as the base currency. The Casino will be available in both a download and in a web-based version. The Poker will link into the existing Boss Poker Network-community. The existing Bet Direct punters will be able to log in and play both casino and poker games using their existing playing account.

EGC RELEASES PROMO RESULTS. Electronic Game Card, Inc. today released the results of its first US client promotion structured around its XOGO electronic GameCard. For a four-day period in November, the award winning Chicago radio station, 93XRT, ran an "on and off air" XOGO based promotion aimed at driving traffic to its popular website, www.WXRT.com. Central to the promotion was the street distribution by hand of 4,000 XOGO electronic GameCards at high traffic locations across Chicago - each GameCard containing 28 plays. Over the course of the following four days 1500 unique users (38% of GameCards issued) visited the WXRT website to see if they had a winning combination. Further, 85% of visitors subsequently revisited the site - on average 4.2 times - over a seven-day period. And despite early reservations about whether the public would understand how to use the GameCards, the radio station received no complaints - the GameCards proving completely intuitive to play.



CO AGAIN EXTENDS GTECH. GTECH announced that the Colorado Lottery, pursuant to the provisions of its original contract with GTECH, exercised for the second time its unilateral right to extend GTECH's contract for an additional 90 days. Under this second consecutive 90-day extension, the Company will continue to provide online lottery products and services to the Lottery commencing on January 31, 2005. GTECH's contract with the Colorado Lottery expired on October 31, 2004, however the Lottery, in its sole discretion, granted the Company its first 90-day extension which began November 1, 2004.



LOTTERIES EMBRACE COLE SYSTEMS SOFTWARE.

Already embraced by several state lotteries across the country, Cole Systems' OrderPad Enterprise™ mobile sales force automation software enables mobile sales representatives from a variety of industries to be more effective and make more informed selling decisions during in-person calls. Customers purchasing the software already include New York State Lottery, the largest state lottery in the United States generating \$5.8 billion in sales, as well as the Pennsylvania, Hoosier and Kentucky Lotteries – a total of 430 lottery sales representatives are now armed with OrderPad Enterprise, the first software of its kind optimized for Tablet PCs. OrderPad allows sales representatives to manage the entire sales process from a single Tablet PC. Its unique features and benefits, including easy-to-use digital ink and ink-to-text recognition, tracking of customer sales data, route management, expense tracking and more.

PLC RECEIVES GUARANTEE FROM VIETNAM. Pacific Lottery Corporation announced the receipt of a satisfactory

Performance Guarantee from its Vietnamese Lottery Terminal Manufacturer, signaling the beginning of an important activity directly related to the launching of the Ho Chi Minh City (formerly Saigon) online lottery program. The production agreement followed upon the recent successful testing of the prototype Terminal produced by IMET, a Vietnamese State owned and controlled company. The commercial production of the Terminals will be carried out by HANEL (Hanoi Electronics Corporation) under the terms of an Agreement that calls for the initial production of 600 modern online lottery Terminals for use in the Ho Chi Minh City lottery rollout.

GTECH TO USE ALTERPOINT TECHNOLOGY.

AlterPoint(TM), Inc., the leading provider of network change and configuration management solutions, announced that GTECH Corporation has chosen Device Authority(TM) Suite to deploy throughout its production environment which supports over 100 lottery, gaming, and financial customers worldwide. GTECH will look to Device Authority Suite to improve the availability, performance, and security of its network infrastructure through automated change and configuration management that will help IT troubleshoot, track, and manage changes occurring across network devices.

PEOPLE

Indiana Gov. Mitch Daniels appointed longtime Clay Circuit Court **Judge Ernest Yelton** to lead the Indiana Gaming Commission. Yelton, who has been on the bench since 1979, will head the IGC as it regulates the state's 10 riverboat casinos and oversees the development of a new casino for French Lick. **Esther Schneider** was appointed by Daniels to lead the Hoosier Lottery. Schneider previously served as the executive director of the Senate Majority Campaign Committee.



Incoming West Virginia Governor Joe Manchin will reportedly name **Virgil Helton**, deputy director of the West Virginia Lottery Commission as state tax commissioner.

The UK National Lottery Commission welcomed **Annette Lovell** on 4 January 2005. Annette will take over as Director of Licensing and Deputy Chief Executive when **Kingsley Jones** retires next month. The role will be key to the regulation of the National Lottery at a time when the Commission is working actively to promote a strong competition for the next operating licence. Prior to joining the Commission, Annette was Head of Enforcement and Consumer Affairs at Ofgem, the regulator for Britain's gas and electricity markets. She will take responsibility for the licensing and consumer protection team.



Dr. Friedhelm Replik has been appointed Managing Director of Germany's Staatliche Toto-Lotto GmbH, Baden-Württemberg. He replaces **Dr. Wolfgang G. Crusen**. Dr. Replik previously served as Minister of Labor and Social Affairs for the State of Baden-Württemberg.

GTECH Holdings Corporation announced that **Thomas J. Caffrey**, VP of Global Technology, has been recognized by IDG's Computerworld, the "Voice of IT Management," as one of the business world's Premier 100 IT Leaders. The award honors executives who show exemplary technology leadership in resolving pressing business problems. Honorees, including Caffrey, were selected from nearly 600 nominees, and were named and profiled in the January 3 issue of Computerworld.

GTECH Holdings Corporation also announced that **Walter G. DeSocio** has joined the Company as Senior VP, General Counsel, and Corporate Secretary. DeSocio most recently served as Chief Administrative Officer, General Counsel, and Corporate Secretary at Internap Network Services Corporation, the leading provider of intelligent routing services over the Internet, where he was responsible for the company's corporate administration, human resources, and legal and regulatory activities, and played an instrumental role in the development and execution of Internap's strategic imperatives.



SCS designs and implements everything a State Lottery needs to offer its Players a comprehensive, flexible and state-of-the-art subscription services program.



VIDEO GAMING/RACINOS

OR OFFERS NEW DEAL TO VIDEO RETAILERS. Oregon Lottery Director Dale Penn recommended that lottery retailers should take an 11% cut in their gaming machine commission. In exchange, they would be allowed to add electronic slot-machine games to their video-poker machines. Penn said that under his plan, the average video retailer that now receives \$68,000 per year would get about \$76,000 by next year -- provided that the gaming [slot] machines produce an expected 12 percent boost in play. Penn proposed that retailers take about 25.6 percent of the profits in a renegotiated deal, which would be an 11 percent drop in funds.

MT GAMBLING UP 7.8%. According to a Montana State Gambling Control Division report, Montanans bet \$868.3 million on legal gambling activities in fiscal 2004, or \$944 per capita. The figure shows a 7.8% increase over fiscal 2003. Video poker and keno pulled in \$814.2 million, the Montana Lottery \$36.7 million, simulcast racing \$7.5 million, commercial live bingo \$4.8 million, commercial live keno \$2.9 million, and live horse racing \$2.2 million. Gaming machines generated \$50.1 million in state and local taxes, while the Lottery paid \$8.1 million.

WV GAME EXPANSION OFF THE TABLE. (AP) A special West Virginia legislative session tackling casino-style tables games was not in the cards as Gov. Bob Wise entered his final week in office. Recent flooding along the Ohio River distracted both Wise and lawmakers. John Cavacini, president of the state Racing Association expects supporters to introduce a local election bill during the regular session that resumes Feb. 9. Gov.-elect Joe Manchin has discussed possibly calling a special session upon taking office next week, but has not included table games among the potential topics.

VLTs UNLIKELY FOR TEXAS. Texas Governor Rick Perry recently conceded that there is little support in the Legislature for expanded gambling to allow VLTs. The lack of support makes Perry less likely to pursue the machines as a revenue option.

LOTTERY NEWS

DE TO LAUNCH MULTI-WIN LOTTO. An exciting new version of MULTI-WIN LOTTO will be introduced by the Delaware Lottery on January 27, 2005. The game features a new style of play that increases players' chances to win. To make way for the new game, the Delaware Lottery will award loyal LOTTO players the entire existing jackpot for the final drawing on January 26, 2005. In the event there is no jackpot winner matching six out of the 38 possible numbers in the January 26th drawing, the full amount of the advertised jackpot will be distributed to winning ticket holders matching five of the six or four of the six numbers drawn that night. If there is no lucky jackpot winner in the drawing on Wednesday, January 26th, players winning at the prize level for matching five of the six numbers drawn will equally share 75 percent of the advertised jackpot amount. Players winning at the prize level for matching four of six numbers selected will equally share the remaining 25 percent of the advertised jackpot amount. Prize levels for matching five of six and four of six numbers will not increase if there is a winner of the jackpot drawing that night. The current LOTTO jackpot is at a record level \$6.7 million for the drawing on Friday evening, January 7, 2005.

ME GOV PROPOSES SALE OF LOTTERY PROFITS. Maine Governor John Baldacci recently unveiled a plan that would sell ten years worth of Maine lottery revenues for \$250 million and use the money to help balance the two-year state budget. If enacted, the state would sell \$400 million in lottery money over a ten-year period in exchange for \$250 million up front. The plan would require approval from the legislature, which is reportedly greeting the proposal with caution.



RECORD 2004 FOR MD. The Maryland Lottery has produced another record year in sales. Lottery sales for 2004 were \$1.45 billion, exceeding 2003 calendar year sales by more than \$115 million. Revenues from those sales exceeded \$464 million, an

increase of more than \$11 million from 2003. Nearly all Lottery games have shown increases in sales in the last year. Keno and Keno Bonus led the way with more than \$411 million in sales. Scratch-off tickets accounted for over \$370 million.

NJ ENDS 2004 WITH RECORD SALES WEEK. The New Jersey Lottery ended the year with another record. Aided by its popular holiday-themed games, the lottery announced a record breaking sales week for instant tickets with \$23.8 million worth of scratch-offs sold from December 22-29. The previous mark for one week sales was \$23.5 million for the week of December 17-24, 2003.

SCEL TURNS 3. The South Carolina Education Lottery marked its third anniversary on Friday, January 7. Since the lottery's creation, total ticket sales have exceeded \$2.4 billion and players have won more than \$1.4 billion. State income tax collected on winnings over \$500 totaled more than \$18 million. In addition, the lottery has transferred more than \$713 million to the Education Lottery Account for appropriation by the state Legislature.

TRIPLE 8's – SECOND TIME IN TWO WEEKS FOR VIRGINIA LOTTERY PLAYERS. Triple 8's on a Monday afternoon paid off again for Virginia Lottery players. The numbers 8-8-8 were drawn in the Virginia Lottery's Pick 3 midday drawing on Monday, December 27, 2004, and again on Monday, January 10, 2005 - exactly two weeks later! Players wagered a total of \$721,180 for the two drawings, and won prizes of \$4,033,950. While the total wagered for each drawing was about the same, there were three times more winners for the first (12/27/04) drawing. Evidently, some of the "8-8-8" players didn't think they'd be lucky again so soon! Due to these recent events, Pick 4 wagers on 8-8-8-8 are currently very high.

**SMART-Tech 2005
February 28-March 1
HOTEL ROOM ALERT
Bellagio Hotel, Las Vegas**

The deadline for discounted sleeping rooms at the Bellagio Hotel for SMART-Tech 2005 is January 31. The discounted rate is \$159 per room night, single or double. Make your reservations within the next 10 days to ensure that you get a room at the discounted rate.

Please call the Bellagio reservations directly at 702-693-7444 or 888-987-6667. Be sure to mention SMART-Tech or Public Gaming Research Institute to get the discount.

INTERNATIONAL NEWS

INSTANT TICKET REVOLUTION IN HUNGARY.

Hungary's Ministry of Finance decided to ease the tax burden on instants, reducing it from an overall 27% to 12% of the revenue, enabling the payout rate to be raised to 60% from 44%. The unprecedented change gives Szerencsejáték Rt., Hungary's national lottery and only instant ticket organizer in the country, a good chance to prove that the government will not lose by the tax reduction. Szerencsejáték Rt. will close all its currently running tickets by March 2005 and replace them with the ones with higher payout. The extra money will be used in the top and bottom prize categories. Thus, overall odds of winning will be increased from an average 1:4 to 1:3, and the top prizes will grow as well. The introduction of the new tickets will coincide with the launch of Szerencsejáték Rt.'s new online validation and logistics system.

PCSO TO LAUNCH QUICK DRAW KENO. According to a local news source the Philippine Charity Sweepstakes Office will soon launch a Quick Draw Keno game. The game will operate from noon to midnight, drawing 48 times per day. The PCSO has granted Keno franchises to over 150 operators. PCSO expects to earn P1.51 billion from Keno during its first year.

FRANCE RELEASES 2004 RESULTS. With an 8.55 billion euro turnover La Française des Jeux close. Its 2004 financial year. This 9.8% growth supported by the 40,000 La Française des Jeux sales outlets is the result of the success of its new game: Euro Millions. In 2004, other draw games (Loto, Keno, Rapido) showed a 1.9% increase in turnover compared with the previous year. Instant games, after a 2.6% decline in 2003, achieved a 2.3% growth in 2004. Sports betting games posted a 221 million euro turnover (compared with 213 million in 2003), and the multimedia channel showed a 29.4 million euro turnover, accounting for 0.3% of the company's overall turnover.

VIETNAMESE LOTTERY MARKET UP. Vietnam's earnings from state lotteries are estimated to have reached VND4.065 trillion (US\$258.9 million) in 2004, up 14.5% against 2003. The Ministry of Finance also said it has also activated a new scheme to give the market a boost this year by creating a more competitive environment for lottery firms. Lottery firms and sale agents in the 21 southern provinces contributed a total VND3.698 trillion (US\$235.5 million) to the budget (91% of lottery payments), while the 43 central and northern provinces paid VND367 billion (US\$23.4 million).

LOTTOMATICA SEES MUCH GROWTH. Italian lottery operator Lottomatica saw its gaming revenue double year-on-year in the month of December, reaching €1.384 billion. The launch of an additional lottery with higher stakes was cited as the reason for the growth. Overall 2004 revenue reached €1.689 billion, greatly exceeding 2003's €6.38 billion.

ISSB HAS RECORD YEAR. The Israel Sports Betting Board reported record earnings in 2004 of NIS 895 million (USD 204.46 million), an increase of approximately 31% in comparison to the previous year (NIS 684 million - USD 156.25 million). The Winner trademark led the field with income of NIS 589 million (66%) while the long-standing TOTO added NIS 306 million.

Approximately NIS 300 million (30% of the revenue) was distributed to Israeli sports as direct allocations to various sports groups. The ISBB internet site, which was inaugurated three months ago, has leveled off to monthly revenue of NIS 2 million and has taken over as the country's leading virtual betting site. During the latter half of 2004, thanks to a change in the prize structure of the Toto game, the ISBB revenues from Toto increased by NIS 17 million (increase of 6%). The increase from the Winner game was NIS 193 million (increase of 49%).

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

CASE STUDIES

NEW YORK LOTTERY CASE STUDY – “OVER THE TOP” RETAILER INCENTIVE

The holiday sales season may be behind us, but thorough evaluation of holiday game sales continues. The “Over the Top” retailer sales incentive program was one component of an extraordinarily successful sales effort. The goal of this year’s holiday incentive program was to increase total Lottery ticket sales during one of the largest sales periods of the year and take the opportunity to reinforce basic selling techniques such as, “Ask for the Sale”. Successful instant game marketing is completely dependent on retail display of a wide variety of games. Since holiday instant sales have traditionally received strong shelf space, the New York Lottery wanted to make sure that retailers did a good job displaying all of our better-selling instant games and not just focus on promoting holiday tickets.

“The “Over the Top” incentive program helped us achieve over \$618 million in total instant games sales during the 2004 holiday selling period, representing an increase of over 10% compared to the same period in 2003.” said Lottery Director Nancy Palumbo. “Our marketing and sales team worked hard to develop a customized program for all regions across the state enabling every sales rep an equal opportunity to reward fifteen of his or her retailers.”

The incentive period started on 10/24/04, the date the first two holiday games were launched and ended on 1/1/05. An aggressive ‘total’ sales goal of 5% over base period was established for each and every active retailer. In order to be eligible to receive a prize, a retailer had to exceed the sales goal and remain in good standing for the entire promotion period.

A prize structure was established, which focused primarily on rewarding the top five performers in each of three subgroups by sales rep. This means that each sales representative territory was stratified into three groups based on their sales volume. The benefit to this strategy was that each retailer only had to compete with retailers in their own group. The retailer in each group that achieved the highest dollar increase over their assigned goal received a \$500 bonus. The next four highest-ranking retailers in each group received a \$250 bonus. Retailers also competed regionally for the opportunity to earn an additional \$500 bonus. These prizes were distributed to the highest ranking retailers in descending order in each of our six (6) sales regions. In total, 1,459 retailers received bonuses ranging from \$250 to \$1,000. The budget for the program amounted to \$472,500. Weekly reports were provided to the sales representatives on their laptops displaying the rank of each retailer by category, thereby

allowing the field staff the ability to keep the retailer fully informed as to their status.

A Statewide Grand Prize drawing was conducted from all eligible retailers (achieving 5% sales goal) to award an exclusive 5 day/4 night trip for two to the Super Bowl in Jacksonville, Florida including roundtrip air fare, accommodations, food and tickets to the game.

Perhaps the most significant aspect of the “Over the Top” program was the fresh opportunity it provided our sales staff to promote best practices to each of their retailers. Best practices included:

- **Ask for the sale:** This is the most effective way to increase retail lottery sales and profits. Next to location, a pro-active staff customer service attitude is more important than any other factor impacting sales.
- **Increase point of sale display:** Lottery awareness delivers new customers
- **Carry sufficient instant inventory at all times:** Weekend stock outs mean lost sales and unhappy customers
- **Increase instant display facings:** More hot selling games displayed increase sales; if they see it they will buy it.
- **Auto-cash increases your ability to sell:** Software feature currently in process of rollout allowing faster cashing of instant tickets and less labor for store staff.

‘Over the Top’ allowed 1,459 retailers to make extra cash by achieving superior sales performance. The New York Lottery generated record holiday revenues to education. . . a win-win for all.

SMART-TECH 2005 –

BELLAGIO HOTEL – LAS VEGAS

Make your reservation today at 702-693-7444 or 888-987-6667- mention Public Gaming Research Institute to get special conference rate!





SMART-TECH 2005 – Bellagio Hotel

February 28 – March 3, 2005

CONFERENCE REGISTRATION FORM

Please fill out this form and fax back to 206-232-2564. Please mail original and payment to:

Public Gaming Research Institute, 218 Main Street, #203, Kirkland, WA 98033, or charge to American Express, MasterCard, or Visa (see below).

Each Registration is \$895.00

**Early-Bird registration is \$795.00 until December 31, 2004.

Conference registration includes all events, cocktail parties, continental breakfasts, luncheons, exhibit hall, all conference seminars, off-site events.

*****THERE IS NO CHARGE FOR LOTTERY OR GOVERNMENT ******

Contact/Title: _____
 Company: _____
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 City: _____
 State/Prov./ _____ Zip/Postal Code: _____
 Tel.: _____ Fax: _____
 Signature: _____

Number of Registrations _____ Total \$ _____

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Please charge to my credit card _____ Please invoice me _____

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SMART-TECH 2005 to get special room rate.