

PUBLIC GAMING INTERNATIONAL

World's most widely read Lottery-Racino-Gaming magazine • Video, Racino, Casino, Internet, Wireless, Online, Scratch-Off

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**

July 12, 2004

OUR THANKS

**The 2004 EXPO/ILAC Conference
was a great success.**

Our thanks to all attendees from the **25 countries
represented** for participating in the 2004

EXPO/ILAC International Lottery Conference.

Our special thanks to those who participated on the program, to those who exhibited and to those who sponsored functions at this important international conference for lottery professionals.

And a *very special thanks* to **Rebecca Mattingly**, Secretary of the Florida Lottery for arranging for the Florida Lottery to co-sponsor this event and for supporting it so well.

Sincerely, your Conference Co-Hosts,

**Duane Burke, CEO, Public Gaming Research
Institute, Inc.**
and

Michael Frick, Deputy Secretary, Florida Lottery

BANNER YEAR FOR LOTTERIES. The Tennessee Education Lottery announced FY04 ticket sales (for its first 163 days) of \$427,686,709. This will mean approximately \$120 million for education programs in the state and nearly \$2 million to after-school programs. In addition to the funding for education, the Lottery also announced that



\$227,459,881 in prizes has been won and approximately \$27,793,323 in sales commissions has been paid to Tennessee retailers who sell its products. With more than \$427 million in sales, the Tennessee Lottery estimates that it ranks second in top sales for a lottery's first 163 days.

MISSOURI LOTTERY HAS ANOTHER RECORD SALES YEAR. FY04 sales totaling more than \$791.5 million, 11.5 percent higher than the previous fiscal year. The sales increase can be attributed to several high Powerball jackpots, a larger variety of Scratchers games and sales increases in the Club Keno game. More than \$484* million in prizes were awarded to Missouri Lottery players during FY04. Retailers who sell Missouri Lottery products earned more than \$48.5 million in commissions, incentives and bonuses for selling Missouri Lottery tickets during FY04. In addition, record proceeds were transferred to Missouri's public education programs – more than \$230 million.

ME POWERBALL TO START SOON. The Maine Lottery will reportedly have Powerball up and running by July 30. The Lottery expects the game to generate \$9 million to the state's general fund in FY05.

\$2 PRICE-POINT TRIGGERS 6/49 SLUMP. Nationwide sales of Canada's Lotto 6/49 dropped 33% when the price of the ticket doubled. At this point officials aren't worried, as they believe sales will rebound.

NEW NE NETWORK ACTIVATE. Nebraska Lottery Lotto game terminals and related services are now being provided by INTRALOT USA under a new seven-year contract that took effect on July 1. The new system was activated at 6 a.m. on July 1. The centerpiece of the new system is the Coronis terminal, featuring a touch screen for transaction selection, and state-of-the-art data processing. As many as 1,500 Nebraska Lottery retailers will be able to use the new equipment, linked by satellite to central processing facilities in Lincoln. The successful conversion marks the completion of a process that began in August of 2003 when Intralot was named the successful bidder after a competitive process.

VA TESTING ELECTRONIC JACKPOT POLE SIGNS. The Virginia Lottery is testing a program to make hand-changed jackpot signs at retailers obsolete. Electronic jackpot pole signs utilize the technology behind electronic jackpot billboards and apply it to a smaller format, either inside or outside a retail location. Shortly after each drawing, the signs are updated when a phone signal is sent via Sunshine Electronic Display Corporation, and received by a device on the sign (similar to a pager), which then automatically updates the advertised jackpot amount. The signs are currently being tested at the Red Barn in Emporia, one of the Virginia Lottery's busiest retailers.

RI TAKES FANS TO THE BALLGAME. As a sponsor of the 2004 International League All Star Game to be hosted by the Pawtucket Red Sox, the Rhode Island Lottery added to its own 30th Anniversary festivities, giving away tickets to the game and other All Star events held throughout the week. Tickets for events such as the All Star Home Run Derby, Providence's *WaterFire* and All Star Fan Fest, and an All Star luncheon with notable sports celebrities were given away at weekly Lottery Retailer promotional events and through on-air promotions with local radio stations. On Tuesday, July 13, an All Star Gala at the State House Reception Room, hosted by Rhode Island Governor Donald Carcieri, will be attended by several of baseball's greats, as well as corporate sponsors. To help mark the occasion, nine of the 62 Rhode Island Lottery Retailers who have sold Lottery products for the past 30 years were selected at random to be invited along with their guest to attend the private gala. To help others in the community, The Lot also donated several All Star events packages, including box seat tickets to the sold out game, where they were auctioned off by radio personalities to raise money for local charities.

ISRAELI TICKET CELEBRATES LOVE. Mifal Hapayis is launching a new instant ticket – "*Ahava*" (Love in Hebrew), in honor of the Israeli version of Valentine Day, which offers cash prizes of up to NIS 10,000. Price: NIS 5.

Day of Love will be celebrated August 1st. One million tickets of the new series have been issued.

ANOTHER INDIAN STATE BANS DRAW GAMES AS PROTEST TO BANS GROWS. Another Indian state banned online lotteries, as the Karnataka Government joined several other state in either completely banned or severely restricting online games. Playwin, the operator of the online lottery in Karnataka, was funding welfare programs such as lunchtime meals for schoolchildren. Retailers across the state praised Playwin for bringing credibility to the Lottery and dampening the sale of illegal lotteries. Meanwhile, in the southern State of Tamil Nadu, where the government banned lotteries nearly 18 months ago, organizers are now rallying and protesting to the government for reauthorization of the lotteries. On June 27th, nearly 150,000 protesters gathered in Chennai with the support and organization of the All-India Federation of Lottery Trade and Allied Industries (AIFLTAI) in a show of solidarity to appeal the government's position on lotteries. Supporters came to the protest from the States of West Bengal, Punjab, Maharashtra, Karnataka, Kerala and Pondicherry among other states.

***NEW* RACINO NEWS**

PA LEGALIZES SLOTS. On Monday, July 5, Pennsylvania Gov. Ed Rendell signed HB 2330 allowing the state to have more slots than any state except Nevada. The laws authorize up to 61,000 slot machines at 14 sites. Most of the resulting tax revenue would be used to cut local property taxes by an average 20 percent. Existing horse tracks that apply for licenses could have slots as soon as Memorial Day. Of the roughly \$3 billion a year the machines are expected to generate, the licensees would keep 48 percent, the state would get 34 percent and the rest would be divided among the equine industry, public construction projects, and counties and municipalities in which slots parlors are located.

COURT DEEMS NY VLTs UNCONSTITUTIONAL. The Appellate Division of the New York State Supreme Court ruled unanimously that Indian-owned gambling casinos could legally be operated in New York and that the state could be part of the multi-state Mega Millions lottery game, But that the legislation authorizing VLTs was illegal. Specifically, the judges said the law stipulates that a portion of VLT revenues go to horse-racing breeding funds and to enhanced track purses. That violates the state constitution's provision that all of the net proceeds from lottery games go to aid education in New York state. The governor's counsels are reviewing the decision and are expecting to appeal the ruling. An appeal would go to the state's highest court, the Court of Appeals.

MD GOV. WANTS GAMING MACHINE VOTE.

Maryland Gov. Robert Ehrlich is once again calling for a vote on slots. After Pennsylvania voted to legalize the machines, the state is virtually surrounded by jurisdictions that allow gaming machines. The problem in Maryland isn't that there is a major force set on keeping gaming machines out of the state, it's that opposing sides can't agree on how to vote the machines in. The Governor wants the legislature to vote on the issue, while House Speaker Michael Busch would like to see the issue voted in through a referendum. The difference between the two is that if machines are voted in through a referendum it will make it harder to increase the number of machines, as any increase will have to pass another referendum.

WV CONSIDERS VLT OPTIONS. West Virginia officials are considering options to help the state deal with the potential loss of revenue stemming from last week's decision to legalize slots in Pennsylvania. One option would see payouts increased on West Virginia machines. Currently, West Virginia machines have to pay out at least 80%, and machines can pay up to 95% (though any machine paying higher than 92% must be approved by the Lottery). The average payout for machines in the state are 91%.

GOV VETOES RI CASINO. Rhode Island's Governor Carcieri vetoed legislation calling for a November 2 casino referendum. He said that the last-minute deal would have granted a 10-year monopoly to an out-of-state company (Harrah's) for next to nothing.

OR VIDEO VENDORS STICK IT OUT. Oregon bars and taverns weren't happy with the new video poker commissions, but most appear willing to accept them. Despite a threat that 15% of retailers would abandon the program, the Oregon Lottery is seeing a 98% renewal rate from video vendors. So far, only nine of the state's 2,158 video poker establishments have removed themselves from the program, while 35 more are still deciding. The old commission rate was 32% of sales. The new commission rate is 29% of sales. The average establishment will make \$7,000 less per year under the new agreement.

MI SENATE VOTES TO RAISE CASINO TAX. The Michigan Senate voted 29-7 to raise the wagering tax on Detroit's three casinos from 18 percent to 24%. The House, which already passed a bill raising the tax to 36%, rejected the Senate's version, sending the legislation to a House-Senate conference committee.

COMPANY ANNOUNCEMENTS

AN INTERNATIONAL DEBUT FOR NBA INSTANT.

Totalizator Sportowy (TS), a government-owned lottery organization in Warsaw, will launch Europe's first instant scratch-off to feature the world-famous name and mark of the NBA, as announced today by Totalizator Sportowy Sp. z o.o. and MDI Entertainment, a wholly-owned subsidiary of Scientific Games. The game will feature one winner of 500,000 PLN, (\$134,905 USD). As recent as mid-March, NBA team rosters included 67 international players from 33 countries and territories. Two of the 67 players, Cezary Trybanski of the New York Knicks and Maciej Lampe of the Phoenix Suns, are from Poland.

COGETECH/GTECH FORM VENTURE. GTECH announced that Cogetech, a joint venture formed by GTECH Global Services Corporation and Cogemat S.p.A., has been named a successful applicant for a non-exclusive license to install and operate a network and related central computer system linking gaming machines in Italy, and provide technology and ongoing services to the Amministrazione Autonoma dei Monopoli di Stato (AAMS), the department of the Italian Ministry of Finance that regulates wagering games in the country. GTECH will be the technology and services provider to Cogetech and will have a 35% equity interest. Cogemat, a company founded by leading distributors and operators of Italian Amusements With Prizes (AWP) machines, will manage all field activities with a 65% equity interest in the joint venture.

ESSNET CHOSEN BY SWEDISH HORSE BETTING CO.

EssNet was chosen as the vendor to provide hand-held terminals and software services to AB Trav och Galopp (ATG), the national horse betting company in Sweden. The terminals will have touch-screen, wireless LAN connection, operating system, web browser and some terminal specific functions. In the pilot phase the terminals will be installed at two tracks and the plan is then to install terminals at more tracks and also at some off-track agents.

MA STAYS WITH SCI-GAMES. Scientific Games announced that the Massachusetts Lottery has awarded it the contract to be its primary supplier of instant tickets and related marketing services. The current Scientific Games contract is due to expire in August, 2004. The new contract is for an initial term of two years with three one-year options to renew. The value of the contract is estimated between \$20-25 million over the initial two-year term.

Submit material for next week's Morning Report by Wednesday of this week to Toddpg2@aol.com



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PUBLIC GAMING INTERNATIONAL MAGAZINE SUBSCRIPTION FORM

For the past 30+ years, Public Gaming Research Institute has been at the forefront of promoting products and innovations that can help the worldwide lottery industry be most successful and has used its publications, Public Gaming International magazine, PGRI's MORNING REPORT and its conferences, SMART-Tech, International Lottery Expo and the ILAC Congress for this purpose. Now Public Gaming International is expanding its editorial focus and distribution to include electronic-video lottery gaming, racinos, monitor games, electronic pull-tabs, electronic dispensing of games, electronic play stations, electronic drawings, wireless gaming and Internet gaming (and marketing) that will be getting special emphasis in PGRI publications and conferences. There is no longer a valid excuse for government jurisdictions not to have the incredible revenue, technological and management benefits of electronic gaming. PGRI will help educate government and industry executives everywhere on this technology and will actively promote the rapid adoption of these games and technologies around the world. _

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