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GAMING

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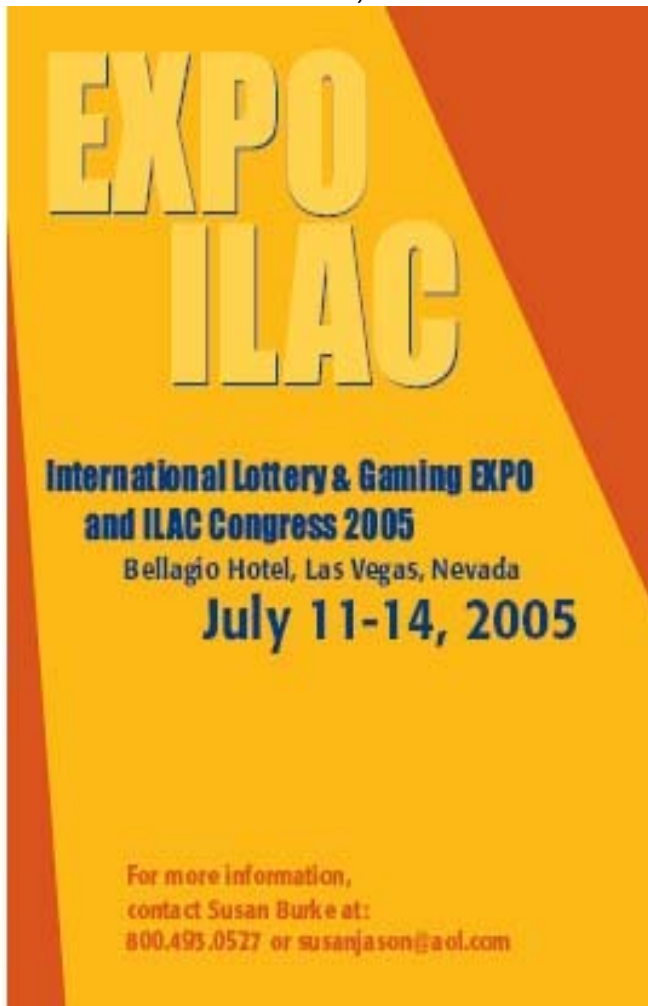
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To: Lottery, Video Gaming & Racino Executives
Interested in Growth, Expansion & Added Success

Public Gaming Research Institute Inc.'s
International

MORNING REPORT

Your weekly supplement to
Public GAMING International Magazine
March 28, 2005



**EXPO
ILAC**

**International Lottery & Gaming EXPO
and ILAC Congress 2005**
Bellagio Hotel, Las Vegas, Nevada
July 11-14, 2005

For more information,
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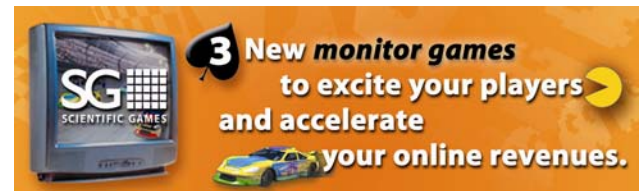
INTERNATIONAL LOTTERY & GAMING EXPO & ILAC CONGRESS 2005

Bigger and better than ever for this year and in the world's most exciting gaming venue, Bellagio Resort Hotel, Las Vegas, Nevada, July 11-14.

Featuring Technological advancements, innovations in games, as well as best management practices, advertising successes and successful marketing strategies for increasing revenues.

The program will feature presentations and panel discussions with special emphasis on broad participation. ***A highlight of EXPO/ILAC will be the VIP Technology Tour of leading suppliers with demonstration centers in Las Vegas.***

For additional information on EXPO/ILAC program participation, sponsorships and exhibit opportunities, e-mail: susanjason@aol.com or call 425-985-3157.



3 New monitor games
to excite your players
and accelerate
your online revenues.

COMPANY ANNOUNCEMENTS

SCEL AND SCIENTIFIC GAMES COLLABORATE TO INCREASE FIVE-DIGIT GAME SALES BY 139 PERCENT.

In the first month since its mid-February launch, the South Carolina Education Lottery's (SCEL's) Palmetto Cash 5 game featuring Scientific Games' patented Group Participation™ multiplier game has increased average weekly five-digit game sales by a staggering 139 percent. Average sales for the new five-digit game with the multiplier option are more than \$860,000 per week, compared to the per-week average of \$360,000 for Carolina 5, the SCEL's original five-digit game, which did not offer this feature. For an extra \$1, Palmetto Cash 5 players can purchase Power Up™, the SCEL's brand name for the multiplier. Winners who choose this option can multiply their prizes from two to five times the base amount. Unique to the Palmetto Cash 5 game, the multiplier applies to all four of the game's set prize levels, including the \$100,000 top prize. Since the launch of Palmetto Cash 5, 65 percent of players are paying the extra dollar for the Power Up multiplier.

BOSS MEDIA, OGT STRIKE UP ALLIANCE. Oberthur Gaming and Boss Media AB (“Boss Media”) have agreed to formalize terms for a North American, long-term strategic alliance to jointly provide solutions for the converging gaming market. This alliance will combine Boss Media world-leading innovative e-gaming software and solutions (payment and accounting system; player behavior tracking and performance evaluation; strategic marketing; prize structures and wagering limits to prevent addictive play) with OGT’s Cyber Games™ portal. Lottery clients will get access to state-of-the art technologies that will lead them in the digital world to extend their player-base with a new generation of consumers.



GTECH TO NEGOTIATE NEW HOOSIER ITVMs.

GTECH was notified by the Hoosier Lottery of its intent to negotiate a contract for new ITVMs. The exact terms and conditions of the contract have yet to be determined. Upon the successful negotiation of a new contract, GTECH will replace the Hoosier Lottery’s existing ITVMs with approximately 680 Expandable Dispensing System Quad Burster™ (EDS-Q) ITVMs. GTECH will also provide ongoing maintenance of the machines. Delivery of the new machines is expected to begin in early May 2005. Interlott Technologies, which GTECH acquired in 2003, has provided ITVM and PTVM (Pull Tab Vending Machine) products and services to the Hoosier Lottery since 1997.



SWISSLOS SIGNS WITH SCIENTIFIC GAMES.

Scientific Games International GmbH in Vienna, Austria, has signed a contract with SWISSLOS to deliver a new online gaming system that will operate all of SWISSLOS’ games. The contract is valued at €6 million and is scheduled to commence operation in November 2005. The contract encompasses the delivery of the system and all project services including ongoing maintenance and support services for a projected period of ten years. The software for the existing terminals will be provided by the incumbent terminal vendor Wincor Nixdorf, which will provide its products as a subcontractor to Scientific Games Austria. The agreement also includes an option for SWISSLOS to purchase instant tickets over the next three years valued at additional €1.5 million.



GTECH TECH CENTER EARNS CMM LEVEL 3

RATING. GTECH has earned the Software Engineering Institute (SEI) Software Capability Maturity Model (CMM®) Level 3 rating for its Warsaw Technology Center, located in Warsaw, Poland. The Warsaw Technology Center joins GTECH Technology Centers in Austin, Texas, and

Chennai, India as CMM Maturity Level 3 certified for the Company's software engineering practices, representing a major technological milestone for the Company. CMM Level 3 maturity demonstrates that GTECH has implemented and documented a standard process for creating and maintaining software, and reflects GTECH's ability to consistently apply software engineering and management practices across its IT project portfolio.



GLI EUROPE LAUNCHES NEW WEBSITE.

Regulators, manufacturers and operators across Europe now have one easily accessible source for information on gaming regulations and requirements across the continent. GLI Europe BV, a subsidiary of Gaming Laboratories International (GLI) has launched a website specifically designed for jurisdictions across Europe. The site is accessed through www.gaminglabs.com. From that page, users simply click either the Hillegom, Netherlands, or Bologna, Italy, buttons to jump to the European site. The new European site is completely translated in English, Dutch and Italian, and provides a wealth of information, including detailed submission guidelines and links to 26 ministries and regulatory bodies. The website also carries the latest news regarding regulatory changes and updates in European jurisdictions. Site users can download forms and documentation, including regulatory documentation. Additionally, the site offers current GLI Europe customers restricted access to an FTP area, where they can quickly upload and download data. The site also features a list of GLI Europe’s extensive services, news, profiles and contact information.



RYLA PARTNERS WITH GTECH.

Ryla Teleservices, a leading provider of outsourced customer contact solutions, is expanding operations to Providence, Rhode Island, by opening a new call center facility to handle inbound support phone calls for new client GTECH Corporation. Initially, the center will handle incoming calls from GTECH lottery customers in Rhode Island, Michigan, and Kentucky. Once the call center is operating at full capacity, Ryla's employees will handle approximately 20 percent of GTECH's retailer help desk calls.

OR LAUNCHES UNO®.

Oberthur Gaming is proud to announce the Oregon State Lottery will launch their UNO® instant ticket in March 2005. OGT acquired licensing rights from Mattel in 2004, and UNO® is quickly gaining popularity as a licensed property in the industry with Oregon being the second Lottery to introduce an UNO® instant ticket this year. UNO® has been the leading card game in America since 1983, with one in seven households owning at least one UNO® game.

BATAVIA GOES WITH MGAM. Multimedia Games has been selected by Western Regional Off-Track Betting Corp.,

the parent company of Batavia Downs, to provide Players Passport(TM), the Company's proprietary player tracking system, for use in conjunction with Batavia Downs' video lottery terminal operations. As part of the agreement, Multimedia will also supply Batavia Downs with self-service redemption kiosks. The agreement will result in Multimedia's first deployment of its player tracking system and redemption kiosks in a New York video lottery facility.



LINKED PROGRESSIVE BINGO. The Linked Progressive System is now available to the general market, and allows operators to link live bingo games in multiple

locations so that each bingo room is participating in the same game with the same numbers at the same time. A separate buy-in allows players to participate in the progressive game, creating incredible jackpots for players and efficiencies for operators. The Linked Progressive System gives operators the flexibility to play any bingo pattern for the jackpot, for example, a coverall starting at anywhere from 48 to 51 numbers, increasing odds and excitement for players. The Linked Progressive System links all facets of live games with no limitations on the number of sites. All sites are linked seamlessly and encrypted across existing commercial networks. Regardless of manufacturer, all existing in-hall equipment and any new equipment to be added is integrated. The system not only links bingo data to all participating properties; it also links live, interactive, video and audio to and from all participating properties. This creates a virtual bingo hall where all players feel personally engaged. For more information check www.LinkProgressiveGaming.com.



CEF PICKS IT SUPPLIER. Brazilian banking equipment supplier Diebold Procomp and Brazil's largest private bank Banco Bradesco have won a 213 million-real (US\$78.9mn) contract to supply IT equipment for the lottery network operated by Caixa Economica Federal. Under the four-year contract the two companies will supply CEF's network of 9,000 service points with 25,000 terminals and further IT equipment such as scanners and smart-card readers in 48 monthly deliveries.

PEOPLE

LIU TO HEAD WA. Washington Gov. Christine Gregoire named Washington State Liquor Control Board Director of Retail Services Christopher Liu as the new Director of Washington's Lottery. Gregoire said she wants Liu to increase the profitability of the Lottery, including developing new games.



Wireless Information Solutions...

Lorraine Driscoll has been appointed to the position of Director, Strategic & Financial Management Services at

Lotterywest. Ms Driscoll has been with Lotterywest since 1997, after emigrating from Ireland where she was the Financial Controller of The Body Shop for four years. She has worked in a number of roles within the financial and business analysis areas of Lotterywest, most recently acting as Director of Corporate & Financial Services for the past 12 months. Mrs Driscoll is also the Secretary to the Asia Pacific Lottery Association, in which Lotterywest is a member.



Graham Lewis recently joined Lotterywest in the role of Director, Corporate Services. Mr Lewis comes to Lotterywest after 17 years with Landcorp, and has a wide range of experience in the financial arena previously working in chief financial management roles both in the United Kingdom and South Africa. Mr Lewis' area of responsibility will include management of the financial services, human resources and facilities management of Lotterywest.

IL GOV NOMINATES NEW GAMING BOARD MEMBERS.

(AP) Governor Rod Blagojevich has nominated an entirely new panel of members to the Illinois Gaming Board. The governor's action comes seven months after resignations left the board with too few members to legally operate. The five-member board hasn't been able to conduct business since August because three unfilled vacancies left it one member short of a quorum. Blagojevich says three of his new appointments are effective Monday. That would allow the board to resume work. The other two appointments would take effect in July. The three immediate appointments include new Board Chairman and retired Cook County Judge **Aaron Jaffe**, anti-gambling activist and retired Methodist Minister **Rev. Eugene Winkler**, and **Charles Gardner**, manager of a real estate investment company. Southern Illinois University law professor **Sheila Simon** and manager of community relations for Shell Oil Company **Joe Moore Jr.** start in July.



IN GOV APPOINTS COMMISSION MEMBERS.

(AP) Indiana Governor Mitch Daniels has appointed three new members to the Indiana Gaming Commission, to replace members who resigned. Earlier this year, Daniels, who began his term as governor in January, asked all of the members of the Indiana Gaming Commission to resign so he could make his own appointments. Daniels selected **Bryan Robinson** of Greenville, principal broker and owner of Canaan Development Group and Canaan Auction Group; **Timothy Fesko** of Dyer, an insurance agent and former state rep; and **Harold Calloway** of Evansville, an insurance agent and member of the State Farm Insurance legislative council.



VIDEO GAMING/RACINOS NY SENATE PASSES CHANGES TO VLT LEGISLATION.

The New York Senate passed Senate Bill 2594, which would increase the VLT vendors take, by a 50-5 margin. The bill would allow vendors to take 32% of the first \$50 million in VLT revenue, 29% on the next \$100 million, and 26% on all subsequent revenue. The tracks will then directly contract with horsemen and breeders association for percentages going to purses. Tracks will also receive a marketing allowance of 8% on the first \$100 million and 5% on all revenues over \$100 million.

A similar bill also cleared the Senate by a vote of 48-7. SB 3276 would give tracks a fixed 20.25% of revenue, and allow for an additional marketing allowance of up to 13.75%. The marketing allowance would distribute funds to track purses and breeders. Both bills now head to the Assembly.



FL HOUSE FILES BILL FOR CLASS II.

Florida House

leaders are proposing that Broward County pari-mutuels be limited to VLTs and electronic bingo. If the bill passes it will be seen as a victory for anti-gambling foes who are trying to keep Class III slots out of statewide racinos. Governor Bush is a major supporter of the Class II efforts.



HUNGARIAN GAMING MACHINE REVENUE UP.

Hungary's National Gaming Association reported that revenue from gaming machines increased 15% in 2004. Gaming machine operators paid HUF 30bn in gambling taxes last year.



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NOVIA SCOTIA MAY REDUCE VLTs. Novia Scotia Premier John Hamm recently said the province will take some video lottery terminals out of service in the name of combating problem gambling. He made no mention of how many machines would be removed, or which establishments would experience reductions.

KY AG SAYS EXPANDED GAMBLING LEGAL.

Kentucky Attorney General Greg Stumbo recently stated that the Kentucky Constitution does not have to be amended to allow expanded gambling. His statement reverses the

long-standing position of the AG office, which operates in an advisory role in regards to gambling.

CANTERBURY'S RACINO PROPOSAL CLEARS HURDLE.

Canterbury Park Holding Corporation announced that it's proposal to develop a "Racino" by adding new casino gaming options to its existing Racetrack and Card Club in Shakopee cleared its first hurdle in the Minnesota Legislature. The House Gaming Division approved the "Racino" bill on a voice vote, and sent it to the House Committee on Regulated Industries for further consideration. Canterbury Park's Racino proposal is contained in House File 1664, authored by Rep. Mark Buesgens (R-Jordan). This bill authorizes the Minnesota Lottery to operate slot machines at the Shakopee location owned by Canterbury Park. The Racino at Canterbury Park proposal would add several new forms of entertainment at this site, including 3,000 slot machines, 40 Blackjack tables, an Olympic-scale equestrian center, and a major hotel and conference center.

OK COMMISSION APPROVES RACINO GAMING RULES.

(AP) The Oklahoma Horse Racing Commission has approved casino gaming rules for three Oklahoma racing tracks. This gets Oklahoma's racing tracks one step closer to having casino-style gambling at the tracks. Gaming could start as early as May. Commissioners unanimously approved the rules, drawing applause from representatives of horse organizations and race tracks. The rules now go to Governor Brad Henry for his review. Commissioners turned down a proposal to require race tracks to post theoretical odds of winning casino games saying it would just confuse customers. The regulations will be used to implement provisions of state question that would allow casino-style games at Remington Park in Oklahoma City, Blue Ribbon Downs in Sallisaw and Will Rogers Downs in Claremore.



HARRAH'S, NARRAGANSETTS RELEASE RI CASINO PROPOSAL.

(AP) Harrah's Entertainment and the Narragansett Indian tribe recently released details of their proposal for a \$650 million resort-style casino. They are seeking a special election to hold a referendum on whether the casino can be built. Voter approval is required to build a casino in Rhode Island. This year representatives from Harrah's and the tribe and their legislative backers say they have crafted a proposal that would meet all constitutional tests because the casino would be operated by the state Lottery Commission. Harrah's said the proposed facility would have 3,000 slot machines and 100 table games, a 500-room hotel, and a 2,500 space parking garage, as well as surface parking for another 2,750 vehicles. It would also include a 55,000-square-foot convention center and 1,500-seat entertainment hall. An exit off Interstate 95 would be constructed to run directly to the facility. Backers envision a casino that could compete with those in southeastern Connecticut, and would bring jobs and money to Rhode Island. Harrah's officials

projected construction of the facility would create 3,015 jobs, and, once open, the casino would generate 6,716 jobs.

TX HORSERACING INDUSTRY SUPPORTS RACINO LEGISLATION. The Texas horse and greyhound industries are estimating that the State Legislature will capture more than \$1.2 billion in new money with legislation introduced by Rep. Ismael "Kino" Flores (D-Mission) that seeks to legalize VLTs at licensed Texas racetracks. The estimated annual tax revenue generated by the operation of VLTs at licensed Texas racetracks is projected to be more than \$940 million during the first year of operation, ramping up to more than \$1.2 billion annually by the fifth year of operation.

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INTERNET/WIRELESS

ND INTERNET POKER BILL FAILS. HB1509, which would have made North Dakota the first state to license Internet poker failed in the state Senate by a vote of 44-3. The bill recently passed in the House by a vote of 49-43.

LOTTERY NEWS

CHANGES AHEAD FOR POWERBALL? A record number of Powerball wins may become the impetus for new changes to the game. MUSL has not released details on what these changes might entail, but one could surmise that longer odds may be in order. Any changes would need to be approved by the jurisdictions that offer the game. It's been estimated that the recent run of jackpots could cause more than \$400 million in lost lottery sales.



ND WAY AHEAD FOR FIRST FISCAL. The North Dakota Lottery is rolling towards the end of its first fiscal year, and the agency has been nothing less than a tremendous success. Early estimates had the Lottery pulling in \$1.2 million in revenue to the state in its first fiscal year. At the current pace the state will make \$6.2 million, more than five times the amount of the initial estimate.

OK SENATE APPROVES LOTTERY FUNDS. The Oklahoma Senate has reportedly approved a bill to provide \$500,000 in startup money for the new state lottery. It was approved on a 30-13 vote and now goes to the House for consideration. Lottery Commission members need the funding to begin the process of hiring an executive director and other projects. The panel will have until 2007 to repay the funds.

MO FACES MORE CUTS. The Missouri Lottery is once again under the legislative budget cut axe. The Lottery is currently facing a \$3.5 million budget cut that could mean severe layoffs. While the Lottery has managed to weather past cuts to its ad budget and still post a sales increase, the current pace of sales is pointing to a 3% decline in FY '05.

WV's FIRST JACKPOT WINNER RECEIVES LAST PAYMENT. Russell Husk, the West Virginia Lottery's first jackpot winner, recently received his last of 20 jackpot payments. Husk was a 24-year-old maintenance worker for a Parkersburg restaurant when he won \$3.74 million on March 20, 1986 by spinning the Lottery's wheel on the weekly-televised Grand Prize Show. After taxes, each of Husk's 20 prize payments totaled \$128,095. Two additional West Virginia jackpot winners would be receiving final checks in April and May.

SHANGHAI LAUNCHES BASKETBALL LOTTERY. The Shanghai Sports Lottery Administration recently launched the Shanghai Basketball Lottery, which focuses on results of NBA games televised in China. The lottery tickets will be issued a week for three NBA matches shown live on Sunday, Tuesday and Thursday. The tickets have six bidding points: the scores of each quarter, the sum of both teams' final scores, and the difference of the teams final scores. Only those who correctly guess all six scores win a prize. Players can make multiple choices for the sum and difference, or add more stakes on a single bid. The price for one ticket is 2 yuan (US\$0.24). Shanghai, the hometown of NBA All-Star Yao Ming, has a large NBA fan base.

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

EXPO/ILAC 2005 will be at the beautiful Bellagio in Las Vegas!!

