

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
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MAKE PLANS FOR PGRI's INTERNATIONAL LOTTERY EXPO. Mark July 18-21 on your calendars for PGRI's International Lottery Expo which will be held at the fabulous Sonesta Beach Resort in Key Biscayne, FL. Hotel rooms can be reserved by calling the Sonesta at 305-361-2021. For more information, please call PGRI at 425-803-2900 or visit www.publicgaming.org.

HARRIS NAMED OFFICIAL HEAD IN SD. After serving as the acting executive director for almost three years, Clint Harris has been officially appointed to head the South Dakota Lottery by Secretary of Revenue and Regulation Gary Viken. The Lottery became a part of the new Department of Revenue and Regulation on April 17 as part of Governor Mike Rounds' reorganization of state government. Harris says he's happy to be continuing in the position on a more permanent basis. Harris came to the South Dakota Lottery in 1993 as a research analyst and in 1995 became the Lottery's director of administration.

ACTING IL LOTTERY DIRECTOR NAMED. Kurt Freedlund has been named Acting Director of the Illinois Lottery by Gov. Blagojevich. A graduate of Northwestern University School of Law, Freedlund has served as the lottery's Chief Legal Counsel since 1995, and previously served as Chief Transportation Counsel to the Illinois Commerce Commission.

PA RFP. The Pennsylvania Lottery has issued an RFP for the leasing of Instant Ticket Vending Terminals. The contract will be for a minimum of 1,000 machines and a potential maximum of 4,000 machines. All machines will be of the 24-bin design. Deliveries are requested to begin in October. The term of the lease will be 3 to 5 years depending on the acquisition date. For further information, Contact William R. Powell, ITVM RFP Chairman, Office of the Executive Director, Pennsylvania Lottery, 2850 Turnpike Industrial Drive, Middletown, PA 17057. E-mail wpowell@state.pa.us.

RECORD MONTH FOR WV. With more than \$100 million in sales, March 2003 was the most outstanding

month the West Virginia Lottery has experienced since August 2001, when the Lottery reported record sales of \$94.5 million. Unlike August 2001, there was no record Powerball jackpot bolstering sales. The March performance is due mainly to increased video lottery activity at the four racetracks, the licensing of 5,078 Limited Video Lottery terminals, and a week of particularly brisk instant sales early in the month.

DC LAUNCHES KENO. The D.C. Lottery launched Keno last week. The quick-draw game (every four minutes) is expected to bring in approximately \$3 million before FY03 closes on September 30.

MO AD BUDGET CUT IN HALF. Missouri legislators agreed to cut the lottery's ad budget by more than half for FY04. While the move was made to make room in the state budget, it could backfire if research holds true. Some research estimates that every \$1 in advertising generates \$10 in lottery sales. The results of this ad budget cut will certainly be a valuable case study for other lotteries. The Missouri Lottery ad budget was cut by nearly 25% last year with little difference in sales.

OLGC DECLARES MILLIONAIRE MONTH. The Ontario Lottery today declared this coming July as "Millionaires Month" as it launched the new \$10-dollar Millionaires Month lottery game offering a draw each day for major cash prizes for all 31 days of July. There will be 27 individual draws for prizes of \$100,000 each, three weekly draws for \$1 million each and the final Grand Prize draw on July 31st for \$5 million. There is also an instant scratch portion on the ticket offering an additional top prize of \$1-million plus thousands of other prizes. Each ticket is sold in a pouch and unfolds to a calendar format 55 cm. by 22 cm., with a scratch spot for each day of the month, plus the instant scratch and win spots on the opening panel.

'CORVETTE CASH' REVS UP EXCITEMENT. The Washington Lottery is first in the nation to roll out the "Corvette® Cash" Scratch game. Soon, a lucky Lottery player will be the first winner to drive a brand-new Corvette off a dealer's showroom floor. The \$3 "Corvette Cash" Scratch game offers players a chance to win money, licensed Corvette merchandise prizes, or even a Chevrolet Corvette convertible valued at more than \$50,000.

TX LAUNCHES NEW LOTTO TEXAS. The revised Lotto Texas was launched last week. The game, marketed as "a whole new ballgame," features a 5:44 plus 1:44 matrix, making it harder to hit the jackpot – from 25.8 million to 1 versus 47.7 million to 1. Chances of winning any prize actually increase – from 71 to 1 versus 57 to 1. The changes are expected to generate more than \$50 million in additional revenue per year.

VT TAKES STEP TOWARDS MULTI-STATE. The Vermont House has given preliminary approval to a bill that would allow for a multi-state lottery.

KS HOUSE PASSES SLOT BILL. The Kansas House approved (66-58) a bill that would allow slot machines at the state's five horse and dog racetracks and two other sites – as long as county voters approve. The vote sent the measure to the Senate. Senate President Dave Kerr made no promises that the Senate would vote on the issue. If the bill passes it's estimated it could generate \$150 million for Kansas.

EASLEY RENEWS NC LOTTERY REQUEST. A \$400 million budget deficit has North Carolina Governor Mike Easley renewing his request for a state lottery. While statewide polls indicate that citizens favor a lottery, past legislative efforts haven't generated enough support in the legislature to actually get a lottery on state ballots.

MONTserrat TO ESTABLISH LOTTERY. Montserrat's legislature has approved (by a 6-5 vote) legislation allowing the British territory to set up a lottery. The government is conferring with a group of investors to establish the Lottery. This will be the island government's first taste of legalize gambling.

JAMAICA TO TAX GAMBLING SALES. The Jamaica gaming industry will now be subject to a 15% General Consumption Tax. The tax is expected to raise approximately \$2 billion in additional revenue.

COMPANY ANNOUNCEMENTS

SPIELO GRAND OPENING. Moncton based gaming supplier, Spielo celebrated the official Grand Opening of its new facility. It was an opportunity for invited guests to see the building that has become home to over 275 Spielo employees, and get a glimpse of the innovation and technology that is designed in the Moncton facility. It was also an opportunity for Spielo's CEO Jon Manship to announce further expansion (50,000 sq ft) of its building in the upcoming months. The expansion will double the size of the current building.

MDI REACHES AGREEMENT WITH FORD. MDI reached a licensing agreement with Ford Motor Company for North American instant scratch-off lottery games that feature any of the current line-up of Ford, Lincoln and Mercury automobiles, trucks and SUVs, including Thunderbird, Mustang, Explorer and Navigator. The agreement was arranged through The Beanstalk Group, the exclusive licensing representative for Ford Motor Company. The initial term of the contract between MDI and Ford is effective through December 31, 2005. Lotteries will now be able to prominently feature the Ford Oval, as well as the logos and other trademarks associated with Ford, Lincoln and Mercury products, including the 'Built Ford Tough' slogan. Lotteries will also be able to access Ford's library of photography and footage to incorporate into their advertising programs in support of the games. Other benefits include pre-approved access to the complete line of Ford products, giving lotteries opportunities to structure a variety of games that appeal to different consumer segments. Also, MDI will guarantee lotteries

discounts off MSRP for all vehicles used in their games and will not require lotteries to pre-purchase vehicles. The lottery will only pay for the vehicles actually claimed by players.

SGI REPORTS FIRST QUARTER RESULTS. Scientific Games announced results for the first quarter ended March 31, 2003. Revenues for the first quarter of 2003 increased 15% to \$123.3 million compared to \$107.0 million for the comparable period in fiscal 2002. Net income before the non-cash preferred stock dividend was \$11.3 million compared to \$7.2 million in the first quarter of 2002, an increase of 57%. EBITDA was \$34.8 million in the first quarter of 2003 versus \$30.1 million for the first quarter of 2002, an increase of 16%. Diluted earnings per share were \$0.13 in the first quarter of 2003 compared to \$0.10 in the first quarter of 2002. Revenue increases were primarily due to continued strong sales of instant tickets, the contributions from MDI Entertainment, Inc., the investment in Scientific Games Latino America, and lottery system sales. The EBITDA increase was principally the result of higher instant ticket sales, especially for Cooperative Services customers, system sales, and continued lottery margin improvement.

AGS ANNOUNCES NEW PRODUCT. Access Gaming Systems has officially released Xenia 1.0. Key features include: developed in Java, offering hardware independence; uses latest industry open technical standards including XML; extremely high transaction volumes in customer bench marking, with near linear scalability; supports multi-player games, multi-lingual sites and multi-currency purses; has multi-company support for hosting sub-licensees; offers FLASH and Java games as standard; offers powerful operator tools with interactive online help and real-time statistics; comprehensive account-based transaction log for reporting and business intelligence gathering; player management and promotions features.

HUNGARY SIGNS WITH ESSNET. EssNet has signed a contract with Szerencsejáték Rt, the national lottery in Hungary, to supply new ELOS central system hardware. The system is based on servers from Hewlett-Packard and the contract also includes an upgrade of the current software and a five-year maintenance agreement.

LOTTERY PEOPLE

James Acton Jr., has been named the Massachusetts Lottery's new chief of staff to Director Joseph C. Sullivan. Acton is a former senior manager for government relations.

Charles McIntyre has been named the MA Lottery's new general counsel. McIntyre, who is succeeding James Driscoll, has been a prosecutor in the Norfolk District Attorney's Office for the past eight years.

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



Scenes from the Sonesta Beach Resort, Official Hotel for the 2003 International Lottery Expo



International Lottery Expo 2003

Co-hosted by the Florida Lottery · July 18-21, 2003 · Sonesta Beach Resort in Key Biscayne, FL



For more information, please contact Public Gaming Research Institute, Inc. at 425-803-2900, fax 425-803-6830, e-mail publicgam@aol.com, or visit us on the Web at www.publicgaming.org