

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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HOT OFF THE PRESSES. PGRI announces two industry conferences. Please mark your calendars now to attend and participate in the Institute's **SMART-Tech 2004** meeting at the Peabody Hotel, Memphis, Tennessee, Feb. 6-9; and our **ILAC Congress 2004**, June 28-July 1, Loews Miami Beach Hotel, Miami Beach, Florida.

VLTS: MAINE SAYS YES, COLORADO SAYS NO.


Maine voters gave their approval for racetrack VLTS. The only catch is that local residents will decide if machines will be installed in their area. Bangor residents approved machines at Bangor Raceway in June, but ballots are still being counted for Scarborough Downs. A plan to install VLTS at five Colorado tracks was defeated.

NY VLTS AT OTBs? It's been reported that New York budget officials are looking at a proposal that would allow off-track betting parlors to operate video lottery terminals throughout the state. If implemented, the plan would bring an additional 20,000 machines to the state and generate an estimated \$2 billion.


IOWA TO LAUNCH EGC. Iowa Lottery players will be the first in the nation to enjoy an electronic version of the traditional instant-scratch game that packs dozens of plays onto a single card. Under the agreement approved by the lottery board, Scientific Games will provide the Iowa Lottery with 20,000 electronic game cards, each the size of a driver's license and powered with a battery, for a market test scheduled to begin in late March or early April. Each card will feature 80 plays and will be priced at \$20. Players will accumulate points, each having a value of 25 cents, by matching three like numbers as they advance through the 80 plays. At the conclusion of all the plays, the game card will display the total points accumulated. Each card will offer a guaranteed \$5 prize and a top prize of \$300.

MO SAVES BIG ONLINE. The Missouri Lottery has been keeping track, and players that have entered online promotions during the past three years have saved more than \$97,000 in postage. More than 262,000 entries have been received through this method of entry. Now a new online option makes the prospect of signing up online even more attractive. Players who sign up for the free My Lottery program, will only have to enter the serial number on their ticket. They also have the ability to edit their entries prior to promotion drawings.

VPTMs ACROSS IA. Iowa Lottery officials are installing approximately 4,000 video pull-tab machines in taverns, restaurants and fraternal clubs. The Lottery is hoping the new machines will bring in \$20 million per year. Test runs of the machines showed weekly revenues of \$900 to \$1,000 per machine.



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TN FINDS A HOME. The Tennessee Lottery has found a home. Lottery officials signed a ten-year lease agreement for a 55,000 square foot facility on the second floor of Tower Plaza at 200 Athens Way. In addition to the second floor of the building, the Lottery will maintain a retail office on the ground floor.

IL TO AWARD RETAILERS. Illinois will be giving retailers a chance at winning a prize in exchange for ideas to increase sales. The state has earmarked \$200,000, to be divided into eight prizes of \$25,000 and will hold two sessions designed to develop ideas where retailers can enter the drawing.

GREAT START FOR MI CLUB GAMES. The first week of sales of the Michigan Lottery's new Club Games – Club Keno and Pull Tabs – generated \$3,023,736 in sales. Club Keno sales for the first week reached \$2,113,344, while Pull Tabs sales totaled \$910,392 for the same time period, both ahead of projections. Currently, the Lottery has 752 retailers selling the games, but that number is growing at the rate of 25 new establishments each day.

ALC HAS FOOTBALL FANS RUSHING. Rushing Yards, the Atlantic Lottery Corporation's newest promotion for PRO•LINE and OVER/UNDER, offers players the chance to win tickets to the 39th annual American football championship to be held in Jacksonville, Florida in 2005. Between Nov. 1 and Jan. 4, a Rushing Yards coupon will automatically appear at the top of all PRO•LINE and OVER/UNDER tickets with a purchase of \$5 or more. Every \$5 play submitted is an automatic entry in the draw for one of two trips for two.

MI, MDI CONCLUDE DAYS OF THUNDER. In what is believed to be an industry "first," the Michigan Lottery has concluded an online game promotion that gave its players the option of entering second chance drawings through an Internet web site and database provided by MDI. MDI developed the web site in support of the Lottery's Winfall "Days Of Thunder" Sweepstakes, in which players who purchased at least \$3 worth of Winfall plays on a single ticket received a bonus coupon that could be entered into weekly drawings for four Ford Thunderbird convertibles. Players had the option of submitting entries via the U.S. Postal Service, at several entry "drop boxes" or at the "Days Of Thunder" web site. Approximately 7,300 lottery players registered on the Internet to submit their entries. Also eligible to submit Winfall entry coupons online were close to 18,000 players who had previously registered to enter the Harley-Davidson scratch game drawings online. The players generated over 66,500 Internet entries in all, representing approximately 9% of the entries submitted.

WV GETS TOUGH ON CASINO ADS. West Virginia Gov. Bob Wise put a stop to some forms of gambling-related advertising when he drafted an executive order forbidding businesses with VLTS from advertising with words like "casino," "royal flush," or "slots." The order, which is in accordance with the video lottery law passed in 2001, also comes with the promise that those who don't comply will have their machines taken away. Businesses have until January 1, 2004 to change or remove their advertising.

CO LOTTO WINNERS GET MORE. Colorado Lotto winners who choose the Cash Value Option will be receiving an extra 10% from now on. The Cash Value, which has been set at 40% since it was introduced in 1994, has now been raised to

50%. Current market trends and a more precise jackpot management have been credited for the increase.

TN EXPECTS MULTI-STATE SOON. TELC CEO Rebecca Paul said that Tennesseans may get a chance to buy multi-state lottery tickets in-state by next summer. After online sales start (scheduled for early April) the Lottery will begin considering which game to join.

MUSGRAVE ASSUMES MORE RESPONSIBILITIES. West Virginia Gov. Bob Wise had to shuffle the members of his administration after announcing that he won't seek reelection. Among those picking up the slack is WV Lottery Director John Musgrave. In addition to his Lottery duties, Musgrave will now also assume the position of secretary of tax and revenue.

INDIANA MAY ADD TO RIVERBOATS. It appears that voters in Orange County, IN approved the opening of a riverboat gaming facility by a margin of nearly two to one. Once the voting results are confirmed, the Indiana Gaming Commission will solicit proposals from operators interested in constructing and operating the facility.

DNV TO CERTIFY WLA LOTTERIES. Det Norske Veritas (DNV) has certified Norsk Tipping AS and signed a contract with the World Lottery Association. The certification is based on random sampling of the security involved in all the different phases of a lottery, such as the design, development, marketing, sales, operations and support services, which must comply with the standard's requirements. The auditing team examines whether management and employees are security conscious and whether they comply with the fixed routines for meeting the standard's requirements. The audit also includes physical security, IT and the monitoring of the lottery draw.

JAMAICA MAY REVERSE WINNING TAX. Jamaica's 15% tax on winnings has caused sales to nose dive 50%, and the government is now reconsidering whether to eliminate the tax or reduce it. The tax was meant to raise an additional \$220 million, but the current trend points to a \$250 million shortfall.

SWISS LOSS LAUNCHES MINI-SMS. OberthurNetgameFactory has supplied a new game called 'Mini-SMS' to SwissLos. The delivery included a turnkey solution with game concept, system and tickets. The 'Mini-SMS' is based on SwissLos' old Mini scratch ticket, just adding an SMS game. The player not only scratches the traditional instant game, but also another play area, uncovering a unique code that is subsequently sent in via SMS. If lucky, the player wins a music CD, and the SMS game can also be the entrance ticket to a music quiz on the televised program "Weekend Music".

FOOTBALL BETTING IN THAILAND. Thailand's Government Lottery Office is reportedly looking at ways to launch a legal football gambling business. The value of such a business is estimated to be as much as 100 billion baht a year. The GLO will study football betting business models from England, China and Hong Kong, and industry experts will be asked to provide suggestions and recommendations.

SOUTH AFRICA GETS SECOND CHANCE. Lotto players in South Africa now get two chances on one ticket with the introduction of Lotto Plus. For an additional R1, Lotto tickets (which cost R2.50) are now also entered in the Lotto Plus draw, which involves a six-number draw plus a bonus ball. Lotto Plus jackpots, which will be determined by the size of the prize pool, will not roll over. If no jackpot is won, the jackpot money will be split between other prize winners.

SRI LANKA LAUNCHES NEW GAME. Sri Lanka's National Lotteries Board is launching a new online lottery that draws every 15 minutes. The game, with tickets costing Rs. 30, commemorates the 40th anniversary of the lottery.

RUSSIAN LOTTO PASSING. Both chambers of Russia's Parliament have passed a bill that would allow a Russian Lotto. The bill, which earmarks 10% of lottery revenue for financing of social projects, will become law when signed by the President. Under the bill, 50 to 80% of revenue will be used for prizes.

COMPANY ANNOUNCEMENTS

MDI SIGNS BEACH BOYS, OFFERS MORE WITH ELVIS. One of the most famous musical groups in the world – The Beach Boys – is now available for themed lottery games and promotions through MDI. The Beach Boys name, logos, images, symbols and likenesses are available worldwide for government-sponsored lotteries under the exclusive agreement which extends through June of 2005. In other MDI news, Elvis Presley® licensed lottery games will offer luxurious lottery player vacation trips to Las Vegas and Hawaii under the terms of a new agreement between Elvis Presley Enterprises and MDI. Elvis lottery games will now include "Winner's Choice" bonus grand prizes that will offer vacation trips to Las Vegas, Hollywood and Hawaii, destinations closely associated with Elvis Presley's career as a musical artist and actor.

SGI REPORTS RESULTS UP. Scientific Games announced financial results for the 3rd quarter and nine months ended September 30, 2003. Revenue in the 3rd quarter of 2003 increased 15% to \$132.1 million over the 3rd quarter of 2002. Income before non-cash preferred stock dividends was \$13.2 million or \$0.15 per diluted share in the 3rd quarter of 2003, compared to a loss before non-cash preferred stock dividends of \$5.8 million in the third quarter of 2002. Excluding the one time debt restructuring charge in the 3rd quarter of 2002 of \$15.6 million, income before preferred stock dividends increased 35% from the third quarter of 2002 to the 3rd quarter of 2003. EBITDA increased 21% to \$37.9 million.

STRONG QUARTER FOR IGT. IGT's fourth quarter profits rose 72% (over the same period last year) to \$108.3 million. The company is eyeing potential new markets in several states, and is anticipating increased interest in its cashless machines.

TX SIGNS POLLARD. Pollard Banknote will supply instant tickets to the Texas Lottery Commission under the terms of a six-month contract through February 29, 2004. The contract includes an option for a one time 6-month extension.

LOTTERY PEOPLE

Tricia Metzger has been promoted to Director of the California Lottery's Sales Division. Metzger has been a part of the Lottery team since start-up in 1985 and has served in a variety of sales and management positions within the Sales and Marketing Divisions. Prior to her promotion, Metzger progressed through the ranks beginning in the San Diego District Office and later to the Key Accounts Department. In 2000, Metzger moved to Sacramento to lead the Key Accounts Department as Key Accounts Department Manager and most recently served as Retail Marketing Manager in the Marketing Division.

LOTTERY JOBS

INTERNAL AUDITOR. The Washington Lottery is seeking an Internal Auditor to manage the Lottery's internal audit program. Bachelor's Degree in accounting, business administration, or allied field and four years of applicable experience. \$54,696 to \$69,072 annually, DOQ, plus excellent benefits package. For further information, visit http://walottery.com/a_employment.asp or call (360) 664-4814. To apply, send letter of interest and resume to the Washington Lottery, PO Box 43005, Olympia, WA 98504-3005, or email to Applications@walottery.com no later than November 24, 2003. AA/EOE.

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



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All advertisers in *Public Gaming International* will now receive one free banner ad each month in the *International Morning Report*, and additional banner ads cost only \$300.

The *International Morning Report* is one of the most well-read publications in the industry and is e-mailed to more than 1,300 lottery industry professionals each Monday morning.

Your ad can even be linked to a specific page on your Web site or to an individual's e-mail address. In addition, PGRI can also host a brochure or sell sheet on its server to link to your banner ad.

For more information on how your company can take advantage of this opportunity to gain valuable exposure for your products and services, please contact PGRI today or visit us at www.publicgaming.org.

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