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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**

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MARK YOUR CALENDARS!

What: PGRI's SMART-Tech 2005

When: February 28-March 3

Where: Bellagio Hotel, Las Vegas

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COMPANY ANNOUNCEMENTS

KLC TO USE SELECTS COLE SYSTEMS' ORDERPAD ENTERPRISE™ MOBILE SALES FORCE AUTOMATION SOFTWARE. Cole Systems announced that the Kentucky Lottery has selected Cole's sales force automation software, OrderPad Enterprise. The KLC will be arming its 33 Lottery Sales Representatives with Tablet PCs running the OrderPad software in order to provide its sales professionals working in the field with a powerful, easy-to-use interface for managing the entire sales process

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from a single device, making them far more effective and better informed for on-the-spot decision-making.

HUGHES CONTRACTS WITH GTECH. Hughes Network Systems, Inc. has won two new contracts valued at over \$ 4 million from GTECH. Under the terms of the contracts, HNS is delivering and installing two new DIRECWAY hubs, one located in Austin, TX, and the other in West Greenwich, RI, bringing the total number of hubs supplied by HNS to six. The contracts also call for 78 months of satellite bandwidth and engineering support.

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

The advertisement features a monitor displaying the Scientific Games logo and a small image of a race car.

OGT AND INGENIO TO OFFER CYBER GAMES™ PORTAL. Oberthur Gaming announced another innovation in the global lottery industry with the Cyber Games™ Portal. In partnership with INGENIO, a subsidiary of Loto-Québec, OGT will offer a comprehensive turnkey solution supported by a secure and robust infrastructure, which includes a wide range of instant multimedia lottery games. This portal will enable lottery corporations to take advantage of a library of instant multimedia lottery games including Tetris®, Mah Jong™, StarWars™ and of course, Cyber Slingo®. These and many more popular multimedia lottery games are available to be downloaded off the Web and have already proven to be a huge success in New Jersey.

VERIFIA SIGNS WITH BCLC. Verifia signed a software license and service agreement with BC Lottery. Working in conjunction with BCLC, Verifia has provided IP geography solution, NetGeo, for BCLC's PlayNow Internet purchasing site.

WIN WIN TO PUT VLTs IN CHINA. Win Win Gaming, Inc has signed a Letter of Intent with a major U.S. gaming machine manufacturer to provide a complete video lottery system for ultimate placement and use in various jurisdictions within the People's Republic of China. Under the terms of the proposed arrangement, the manufacturer would supply Win Win with a central determinant lottery system, network equipment, associated VLTs and related machine technology. The manufacturer would also provide proprietary video lottery games for Win Win to use throughout China.

PEOPLE



A Scientific Games Company

TOM BAKER RETIRES. IGT announced the retirement of **G. Thomas Baker**, as chairman of IGT effective March 1, 2005 at the company's annual shareholder meeting.. The company expects to announce a successor at or before the annual shareholder's meeting. Baker became IGT's chairman October 30, 2003, upon Charles N. Mathewson's retirement and appointment to Chairman Emeritus. Baker has been with IGT for 16 years and has also held the positions of CEO, COO, CFO and Treasurer, Executive VP of Corporate Finance and VP Finance and Administration.

HAYES TO HEAD OHIO LOTTERY. Ohio Governor Bob Taft appointed **Tom Hayes** to the position of director of the Ohio Lottery after the organizations most recent director, Dennis Kennedy, resigned last week to seek a position in the private sector. Hayes steps into his new position directly from his most recent post as director of the Ohio Department of Job and Family Services



PENN TO HEAD OREGON LOTTERY

The Oregon Senate confirmed several of Gov. Ted Kulongoski's appointments last week, including **Dale Penn**, who was named Lottery Director after serving as Marion County district attorney for about 20 years.

WILLIAM RICKMAN HONORED. During their gala celebration, the Delaware Chapter of the National Multiple Sclerosis Society awarded its highest honor to **William Rickman, Jr.**, President and CEO of Delaware Park, for his outstanding contribution to the community.

VIDEO GAMING/RACINOS

BCLC OPENS SIGNAL POINT COMMUNITY

GAMING CENTRE. Signal Point Community Gaming Centre is ready to open its doors this weekend as the newest



entertainment option in Williams Lake. Situated on 6½ acres, it's a state-of-the-art 24,000 square-foot entertainment facility with a modern Chilcotin theme and seating for over 360 bingo enthusiasts – including 97 electronic slot machines. The Centre has a 70-seat full-service restaurant managed and run by the Laughing Loon. There is a suite available for private parties, an interior finish that includes

Italian ceramic tiles and granite countertops, and a spectacular view overlooking the lake.

CODEY WANTS VLTs AT MEADOWLANDS. New Jersey Governor-elect Richard J. Codey is reportedly pushing a plan to place up to 5,000 VLTs at the Meadowlands. The Governor's 2006 budget is expected to rely on the estimated \$275 million the machines would generate (once fully implemented the machines could bring in more than \$500 million annually). A tax break for casinos may be considered in order to get them to endorse the plan.

PA HOUSE MAKES CHANGES TO GAMING LAW.

Last week, the Pennsylvania House of Representatives approved a measure that would ban lawmakers from owning a stake in gambling-related businesses and would also make several other changes to Pennsylvania's new gambling law. The House amendment would allow the Gaming Control Board to override local zoning laws – though municipal



officials would be able to appeal. The House version would also allow the state to use funds from the portion of gambling revenue aimed at reducing local property taxes to help the Pennsylvania Lottery if its proceeds decline due to competition from slots.

DELAWARE PARK SEASON ENDS ON A HIGH

NOTE. Delaware Park's 2004 live racing season ended last week, closing a notable chapter in the prestigious track's racing history. Having weathered many obstacles this



season, the combined handle prevailed despite a bout of heavy rainstorms and the New York Racing Association contract dispute. Final daily average figures were reported to be \$1,854,524 for wagering on the live card (on-track and simulcast out).

LACG SEEKS ADDITIONAL FINANCING. The Louisiana Association on Compulsive Gambling is asking the Louisiana Gaming Control Board for an increase to its \$2 million in annual financing. The LACG says its current budget only allows it to meet a fraction of the need. If additional money is obtained, the LACG would like to expand youth outreach efforts.

LOTTERY NEWS

OK LOTTERY PROCESS TO BEGIN. At long last, Oklahoma Governor Brad Henry has succeeded in implementing a law allowing a Lottery in his state that will

benefit education. Now the next phase begins. Henry's first task is to appoint a seven-member lottery commission who will then select an executive director for the Lottery. The entire process of implementing the Lottery is expected to take at least a year.



ALC IMPROVES SPORTS GAME OPTIONS. The Atlantic Lottery made improvements to OVER/UNDER's prize structure – which now operates like an odd-set prize structure. Starting Dec. 3, players will see an "Over" odd, and an "Under" odd on the Game List. For example, under the new structure a player that wants to bet \$10 on three games can bet on long shots and win \$58; play it safe and win \$41; or play somewhere in between and still win \$50. The old structure would have limited winnings to \$50. What's more, starting December 3, both PRO•LINE and OVER/UNDER Game Lists will offer up to 255 games a week (twice as many basketball games, 25% more baseball games, and new sports: Golf, Tennis, College Football, and College Basketball).

AHL REPLACES NHL IN WCLC GAME. People in Manitoba, Saskatchewan, Alberta, and the Northwest Territories, can now bet on American Hockey League games on Sports Select tickets. The WCLC is allowing customers to bet on the AHL games involving teams from Canada (St. John's, Hamilton, Edmonton and Manitoba) to give players an option while waiting for the NHL lockout to end. If the NHL returns the WCLC will evaluate the experience of allowing bets on AHL teams and determine whether to extend the option.



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



IA MAY GO AFTER AD-TABS. Legislation will be introduced in 2005 in Iowa aimed at curbing the competition between Iowa Lottery pull-tab tickets and ad-tabs, a private product that resembles a pull-tab. The tickets have been declared illegal in other states, but have been existing in an Iowa legislation loop-hole that has made the state hesitate to prosecute ad-tab operators in the past. Currently there is no regulation of Ad-Tabs.

SAZKA SEES PROFIT BOOST. Czech lottery company Sazka a.s. raised net profits by Kc197 million year-on-year to Kc1.26 billion in January-September. The profit boost was attributed to higher gaming sales, lower costs, and higher income from cell phone recharging sales.

BBC COULD LOSE EXCLUSIVE COVERAGE RIGHTS FOR NATIONAL LOTTERY DRAWS. The BBC could lose exclusive TV rights to the National Lottery. Camelot is believed to be in negotiations with other broadcasters in an attempt to overhaul coverage when BBC's contract comes up for renewal in 2006. Camelot is reportedly seeking coverage before or after programs that are very popular with younger viewers.

LOTTOMATICA REVENUE BOOMING. Italian Lottery operator Lottomatica reported consolidated net revenues totaling 494 million Euro in the nine months as of September 30, 2004 – a 25.9% growth over the same period in 2003. 2004 nine-month figures show more than 45% growth in Lotto wagers and 32% growth in the commission due to Lottomatica, due essentially to the higher volume collected for late numbers. Revenues for Lottomatica totalled 435.5 million Euro.

NZLC TO ENTER RFI, RFP. The New Zealand Lotteries Commission has started the process to upgrade its telecommunications data links to Internet Protocol standard. NZLC will soon enter a Request for Interest process as the first phase in conducting a competitive RFP to select the new network. The requirement for the new network is that the current DDS network used by NZLC to access retail locations will cease to be supported in July 2006. Vendors interested in participating in the RFI should go to the Government Electronic Tenders Service website at <http://www.gets.govt.nz/> for more detailed information.



NEW DRAFT BILL FOR VENEZUELAN GAMING. According to local news sources Venezuela's IRS/Seniat Superintendent, Jose Vielma Mora, has called for a new Bingo, Casino and Lottery law to be passed as soon as possible. The new draft bill would look at the possibility of adding a value-added-tax on each bet placed. Vielma Mora cited reasoning that Venezuelans spend Bs. 12 billion-a-day on gambling, but agencies are only remitting Bs. 5 billion-a-year.

CASE STUDIES

NEW YORK CASE STUDY – SALES GOAL TRACKING.

With increased pressure on Lottery jurisdictions to meet higher revenue mandates, sales goal tracking works hand in hand with sales success. For the New York Lottery, a key development phase in the creation of an annual marketing and sales plan incorporates setting statewide sales goals. Program changes, network expansion, game enhancements, along with regional management input are evaluated to establish sales goals for each region by product. Once the big numbers are determined, then the detail work begins.

The sales goal database contains sales data for each operational terminal. Each record contains a selling retailer number, tracking retailer number and week number, along with three components; sales by game last year, sales by game this year and goal this year by game. At the beginning of the process, the database contains only the prior year sales by game for each retailer. A percentage increase is applied to each game to produce the sales goals for each retailer by week. Different percentages can be applied to different groups of retailers based on anticipated sales trends by region etc.

New York performs a 100% conversion of on-line transactions processed on the GTECH wagering system. Not only is this data used for the traditional daily audits and winner selection processing, it is also used to update several databases that are integral in the sales goal tracking process. Databases with daily sales data are then summarized during weekend batch processing to update the third component of the weekly sales goal database.

Retail locations with multiple terminals will have a separate record for each terminal, all with the same tracking retailer number. Change of ownerships are also handled in a similar manner, all previous owners will have their corresponding selling retailer number and all the records will contain the current owner retailer number as their tracking retailer number. Since the data is built upon the smallest unit (each individual retailer), the goals can be fine-tuned to focus on very specific sales trends by product in a specific region or wider general statewide sales trends. "Precise, in-house sales tracking has allowed the New York Lottery to react and change direction mid-stream in a moments notice," said Lottery Director Nancy Palumbo. "The goal is to make sure that the Lottery's marketing, sales, promotion and advertising initiatives work in concert with how games are selling in the shops. It also enhances our ability to analyze the effects of promotions, incentives, new game launches, high jackpots and advertising on sales."

A variety of reports are available to all staff members off the back-end system. These reports can support the one-on-one interaction that sales representatives have with individual retailers by allowing them to share sale trends at the store level. Regional managers can utilize the reports to review sales representative performance and product sales challenges in the field as well as summarizing data by zip code, county or corporate chain. Central office staff also utilizes the data to support statewide annual sale award contests, retailer sales incentive programs, forward planning on promotions and new game launches. Sales data is compared to various time periods to track sales results and trends – previous week, 10 week averages, same week last year, cumulative year to date.

Public Gaming International Magazine will be distributed at all of the major lottery and gaming conferences and exhibitions in 2005.



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