

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***  
November 25, 2002

**POWERBALL GOES ON SALE IN V.I.** Powerball tickets are now on sale today at 110 outlets in the Virgin Islands, after MUSL voted to grant membership to the territory last week. The V.I. government enabled its Flexlink lottery terminals to sell the tickets.

#### **OHIO LEGISLATORS LOOKING AT VLTs.**

Republicans in the Ohio Legislature are planning to bypass a popular vote and enact legislation to install VLTs at racetracks to increase state revenues. Republican Senator Louis Blessing is sponsoring the bill. The Ways and Means Committee will consider the bill requiring the Ohio Lottery Commission to install the machines at all seven tracks in the State.

**ND BEGINS LOTTERY PROCESS.** Seven North Dakota lawmakers will be appointed to work with Attorney General Wayne Stenehjem on legal and regulatory questions in order to speed-up North Dakota's entry into a multi-state game. The group is expected to be chosen very soon, as they are needed well before the 2003 Legislature begins on January 7. The committee is expected to be a bi-partisan representation of the state House and Senate, and will include both Lottery advocates and opponents. The committee will help resolve issues such as developing ticket sales standards and game administration. The state also needs to create an agency where other Lottery states can get their questions answered.

**KY LAUNCHES TV SPECIAL.** The Kentucky Lottery has launched a TV special that will let players find out what it's like to win the Lottery – "Somebody's Gonna Win, Might As Well Be You." Viewers will meet Melvin Rhodes, an \$80 million Powerball winner. Melvin will be visited in his new home to see how a Powerball millionaire lives. In addition to Rhodes, viewers will meet Barbara Edgley, who recently won \$1 million on the Powerball game show. The Lottery TV special introduces viewers to winners of scratch-off games, Pick 3, Kentucky Cash Ball and other Kentucky Lottery

games as well. The show also takes a look at how much money the Lottery has earned for the Commonwealth of Kentucky since it started in 1989.

**WCLC LAUNCHES SOLITAIRE RICHES.** Last week, the WCLC launched a CD-ROM-based lottery game called "Solitaire Riches", which was created and developed by Loto-Québec subsidiary INGENIO. This is the first time a lottery developed entirely in Québec made its way into the rest of Canada. The multimedia lottery game will be offered in Alberta, Saskatchewan and the Northwest Territories.

**CA SELECTS RETAILER OF THE YEAR.** The California Lottery announced that San Francisco's Liquor Locker, owned by Darryl Fown, has been named California Lottery's Retailer of the Year. A special presentation was held at Liquor Locker on November 20. The owner and his parents have been selling Lottery products for nearly 15 years. They have average weekly sales of \$16,000 and since they started selling in 1988, total sales to date are over \$7.1 million. Liquor Locker has contributed more than \$2.4 million to California's public schools.

#### **PA GOV. PRESENTS FIRST POWERBALL CHECK.**

Last week, PA Governor Mark Schweiker presented a check to the Pennsylvania Lottery's first Powerball jackpot prizewinner. The \$30 million-plus check was the single largest one-time cash winning in the Lottery's 30-year history. The Governor was accompanied by State Secretary of Revenue Larry P. Williams and Pennsylvania Lottery Executive Director Robert Mars.

#### **WV BOOK ON FINANCIAL PROTECTION**

**PUBLISHED.** The Problem Gamblers Help Network, which is funded by the WV Lottery, has released a 44-page handbook titled "Personal Financial Strategies for the Loved Ones of Problem Gamblers." The book gives advice on how families can protect themselves from a family member who is a compulsive gambler.

#### **PORTUGUESE LOTTERY TO LAUNCH CD-ROM**

**GAME.** The Portuguese lottery corporation Santa Casa de Misericórdia de Lisboa (SCML) - Departamento de Jogos will be launching a game called Viagem Misteriosa, the Portuguese-language version of a CD-ROM lottery first marketed by Loto-Québec two years ago under the name Mot Mystère.

#### **SRI LANKA LOTTERY TO BE RESTRUCTURED.**

The National Lotteries Board of Sri Lanka may soon be restructured by Expressions of Interest. The Government of Sri Lanka has called to restructure the NLB through the establishment of private sector management of its Off-Line Lotteries. The NLB envisages entering into a management contract for a period of 5-7 years with the selected Lottery Operator, who will be required to pay an up-front fee. An appropriate revenue sharing arrangement could be agreed upon.

## COMPANY ANNOUNCEMENTS

### SCIENTIFIC GAMES AGREES TO ACQUIRE MDI.

Scientific Games and MDI announced that MDI and subsidiaries of Scientific Games have signed a merger agreement under which Scientific Games will make a cash tender offer for all outstanding shares of MDI followed by a merger in which Scientific Games would purchase any remaining outstanding shares of MDI common stock not previously acquired at the same cash price per share. Scientific Games will offer to acquire all the shares of MDI (except for 708,333 shares which are currently owned by Scientific Games and approximately 4,000,000 shares beneficially owned by Steve Saferin, CEO and President of MDI) for \$1.60 a share or approximately \$13.1 million, subject to the terms and conditions of the agreement. Mr. Saferin, who is also MDI's founder and principal stockholder, has agreed to sell his shares to Scientific Games for \$1.40 per share pursuant to a separate agreement, contingent on the closing of the tender offer. Conditions to the tender offer include a requirement that, upon closing of the tender offer, Scientific Games will own or have the right to acquire in the aggregate at least 75% of MDI's outstanding shares, including the MDI shares already owned by Scientific Games and the shares to be purchased from Mr. Saferin. The aggregate consideration expected to be paid to acquire all of MDI is approximately \$18.5 million. Mr. Saferin also has entered into a three-year employment contract with Scientific Games, to be effective upon closing of the tender offer, under which he will head the MDI business unit. Mr. Saferin also will be responsible for ensuring the successful integration of MDI's business into Scientific Games' lottery division.

**CROATIA SELECTS WINCOR NIXDORF.** Wincor Nixdorf received a follow-up order from the Croatian lottery, Hrvatska Lutrija, for the supply of 800 Xion /M terminals, equipped with a high-performance scanner, a color touchscreen, a thermal printer and a chip-card reader. The lottery had already ordered 600 terminals early in December 1999. Hrvatska Lutrija intends to use the extra terminals to achieve significant expansion of its network of sales outlets. Delivery is to be made before the end of December 2003.

**SPIELO CONTRACTS WITH NY AND THE NETHERLANDS.** Spielo has been selected by the New York Lottery to negotiate a contract to supply VLT equipment, games, maintenance, and marketing/promotional services for New York's new VLT program. Spielo operates similar programs with the Rhode Island Lottery and Delaware where expansion of the Spielo network was ordered and installed in 2002. Spielo also signed long-term software maintenance contracts with two of its European clients for online lottery terminals. These contracts, each for a period of 7 years include software maintenance for its Dream

Station® and VeriMax™ lottery terminals and protocol maintenance.

**INTRALOT REPORTS FOR 9 MONTHS.** Intralot achieved high growth in revenues, operating earnings, earnings per share and operating cash flow for the nine months ended September 30, 2002. Revenues reached €227 million compared to €202 million in the same period last year, gross margin improved to 32.5% from 30% last year, EBITDA increased by 19% to €70.7 million, compared to €59.5 million in the same period last year, EBITDA margin improved and reached 31.2% (last year 29.4%), income before taxes recorded an increase of 22.4% by reaching €63.5 million compared to €51.9 million, on nine months 2001, net cash position reached €64 million, improved from €46 million on six months, and expenses increased 22% driven by a 25% increase in administrative expenses and a 75% increase in R&D expenses.

### GAMES, INC. WINS MARYLAND VIP CLUB

**CONTRACT.** The Maryland Lottery has awarded Games, Inc. a contract for continuation and expansion of services for the Maryland Lottery Internet VIP Club. Games, Inc. has been managing the VIP Club for the Maryland Lottery since September 2001, redesigning the Club as well as adding enhanced options. The innovative contests, promotions and e-mail alerts offered by the Maryland Lottery to its VIP Club members have succeeded in increasing VIP Club membership by over 53% during the last year.

**CO, IL, AND LA LAUNCH DILBERT.** Oberthur Gaming Technologies and three lotteries bring to the industry the first ever Dilbert™ instant games. The Colorado, Illinois and Louisiana Lotteries will launch instant tickets featuring Dilbert, Oberthur's newest licensed property. Designed to increase lottery sales and profits, this world-renowned comic strip features America's favorite socially-challenged office worker Dilbert, whose life reflects the absurdities of the workplace.

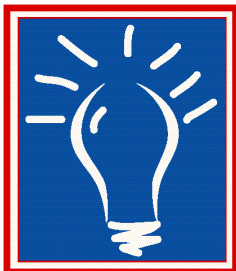
## LOTTERY PEOPLE

Last month, NASPL awarded the Prestigious Powers Award to the South Carolina Education Lottery's (SCEL) Chief Legal Counsel, **Hogan Brown**. Brown was nominated among 12 other top lottery professionals from nine different lottery jurisdictions for their outstanding contributions by their lottery organizations. Also included in those nominations, was the SCEL's Director of Human Resources, **Ernestine Middleton**. Brown was hired in August 2001 when the SCEL consisted of two employees. Brown worked with Ernie Passailaigue to ensure that the lottery was in compliance with not only the "black letter" of the law but with the legislative intent as well.

Submit material for next week's Morning Report by  
Wednesday of this week to [Toddpgr2@aol.com](mailto:Toddpgr2@aol.com)



# Make Plans to Participate in PGRI's 2003 Events!



**SMART-Tech 2003**  
Charleston, SC

## **SMART-Tech 2003**

*Co-hosted by the South Carolina  
Education Lottery*

February 9-12, 2003

*DoubleTree Suites in Historic Charleston, SC*



## **ILAC Congress 2003**

*Co-hosted by the  
National Lottery of Mexico*

April 26-29, 2003

*Hilton Cancun Beach and Golf Resort in Cancun, Mexico*



## **International Lottery Expo 2003**

*Co-hosted by the Florida Lottery*

July 17-20, 2003

*Sheraton Bal Harbour in Miami Beach, FL*

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