

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 4, 2002

TN ANTI-LOTTERY CLOSES GAP. A new poll shows Tennessee's pro-lottery contingent still holds the lead, but the gap is decreasing. The latest poll shows 53% of likely voters will support the proposed lottery, 40% will oppose it, and seven percent are undecided. A September poll had lottery support at 63%. At any rate, we'll find out this week.

WV SALES JUMP. Since July 1, 2002, players on 12,654 VLTs in West Virginia put \$218.4 million into the machines and contributed \$74.34 million to the state. Lottery sales are up 24% overall. Racetrack VLTs are up 26% and traditional scratch-off tickets are up 23% over the first three months of the 2001-2002 fiscal year.

VIRGINIA ROCKS. The Virginia Lottery had the best first quarter in its 14-year history for sales and net income (turnover to education). Sales were \$269.2 million – a 6.3% gain over the previous high (first quarter FY02.) Net income was \$87.8 million – 13% higher than first quarter last year and 5.9% higher than the previous best (first quarter FY97). Three individual products also had their best first-quarter sales– Mega Millions/Big Game, Scratchers and Pick 4.

ILLINOIS LAUNCHES AD CAMPAIGN. DDB Chicago's first Illinois Lottery campaign will focus on the two most successful products Mega Millions and Instant games. The lottery launched its new, improved version of the "players have more fun" campaign last week. The new \$18 million campaign seeks to broaden Lottery reach to the more casual players who only play when the jackpots get big enough, or who gamble elsewhere.

CONNECTICUT LAUNCHES SPEAKER'S BUREAU. The CT Lottery's Speaker's Bureau is now available, free of charge, to civic clubs, colleges, continuing education business classes, and social organizations alike where "Lottery Ambassadors" will present a 30-minutes or less (depending upon group needs) presentation on "The Lottery Story" at group meetings.

Lottery Ambassadors will provide fun, educational, and thought provoking information on topics such as: "The History of the CT Lottery," "Scratch Games from A to Z," and how the Lottery strikes "A Balance of Raising Money and Accepting Social Responsibility." Call Amy at 860-348-4050 for more information about the CT Lottery's Speaker's Bureau.

KLC HELPS BUILD AFFORDABLE HOUSING. The Kentucky Lottery has transferred \$17.5 million to the Kentucky Housing Corporation's Affordable Housing Trust Fund (AHTF) in the program's first four years. The money will help build over 400 units of safe, decent, affordable housing for some of Kentucky's neediest families, the mentally and physically disabled and those on the verge of homelessness. The last three year's unclaimed Lottery money built more than 3,300 units of housing for needy Kentuckians in the first 275 AHTF projects. The transfer of money was made possible by the passage of two house Bills signed into law which authorize KLC to provide money above \$6 million in its unclaimed prize fund to the Affordable Housing Trust Fund. The first \$6 million goes back into the Lottery's prize pool to support the payment of game prizes, and for promotions and second chance prizes.

WA LAWMAKERS LOOKING AT VLT AND KENO SOLUTIONS. Washington state lawmakers visited Oregon while pondering a VLT solution to the State's budget woes. It's been estimated that the machines could generate \$271.6 million the first year after expenses, including retailer commissions and player prizes, if 8,000 machines were installed. Locations under consideration include any establishment licensed to serve liquor by the drink. Sen. Margarita Prentice, D-Seattle, wants the VLT possibility researched, and is looking at possibly introducing a bill in the next session. The Legislature is facing a \$2 billion shortfall next year. Lawmakers are also considering increasing Keno draws from once a day to once every five minutes.

PA CANDIDATES WANT VLTs. Both major candidates for Governor of Pennsylvania are pro-VLT. Fisher, the Republican gubernatorial hopeful, would allow slot machines at the state's four race tracks, and wants revenue to continue paying for programs for the elderly. Rendell, the Democratic candidate, also wants machines at all tracks, but would rather send revenues to local school districts. Theoretically, Rendell's solution would result in lower or capped property taxes, benefiting not just seniors, but all property owners. Studies estimate that VLTs in PA could generate as much as \$400 million or more in tax revenue annually.

SD CANDIDATES TO KEEP VLTs. Neither major candidate for Governor of South Dakota has any interest in getting rid of VLTs until other options appear. The games provide more than \$100 million in annual state revenues, all of which is put into property-tax

relief. Eliminating VLTs would raise property taxes by an estimated 30 percent.

NOVA SCOTIA RELEASES RESPONSIBLE VLT FINDINGS. The Nova Scotia Gaming Corporation released a study claiming problem gamblers pay attention to warnings on new VLTs. The NSGC said that the clock showing how long someone has been gambling is the most effective feature. Based on findings in the Corporation's study, the warning clock that pops up after 60 minutes of gambling will change to 30 minutes. Forty percent of survey participants said the clocks helped them manage their time better. The NSGC went on to point out that while the amount of time an individual spends at a machine has gone down, the revenue generated by each machine hasn't decreased. This leads to speculation that more people have started to play the machines.

KLC HONORED. The Kentucky Lottery recently received an award in recognition of excellence for being a family friendly employer at the Business/Family Partnership luncheon. The KLC was recognized for achieving a "Gold" designation in two of the three evaluation periods since the program began. The Business/Family Partnership supports and recognizes organizations in and surrounding Jefferson County that help their employees balance work and family issues.

BNL TO CREATE LOTTO GUIDANCE COMMITTEE. The Belgian National Lottery has begun offering winners financial guidance. This move may be in response to a case in early October where a lotto winner lost his money by transferring the cash to a con artist who promised an unbelievable interest rate. A lotto guidance committee will be established next year to create guidance regulations.

UK, FRANCE AND SPAIN SIGN LOTTO DEAL. In a deal code-named "The Treaty of Paris," Camelot reportedly signed with the French and Spanish state lotteries to create a Europe-wide Lotto game capable of producing £100m-plus jackpots. The plan calls for a twice-weekly draw with starting jackpots of £20m. The game would start in spring of 2004. Camelot is hoping the game will generate an extra £2.5bn in sales and raise £725m for beneficiaries between 2005 and 2007.

NZ FACES INTERNET GAMBLING BAN. If New Zealand's 'Responsible Gambling Bill' is enacted in its present form the New Zealand Lotteries Commission will be specifically banned from all forms of "remote interactive gambling." The Commission is lobbying to change the language of the bill so that they can take advantage of all the Internet has to offer. If the language isn't changed, it will do little to stop the offshore cyber-casinos from taking a lot of Kiwi money.

MALTA PURSUES ONLINE GAMING. The Malta Lotteries and Gaming Authority is creating a licensing regime for on-line gaming including on-line casinos,

casino-style games, sports betting, betting exchanges and lotteries. The MLGA wants to provide regulation that is strong and serious but not unnecessarily bureaucratic. The Maltese government is intent on developing further the on-line gaming sector. The licensing legislative framework should be complete by December 2002, and licenses issued in early 2003.

COMPUTER GLITCH VOIDS DRAW. A computer error caused the first ever cancellation of a NSW Lottery draw. The computer caused some players to receive the same number tickets and, in some cases, others were given invalid numbers. The software error has been fixed, an investigation is underway, and all ticket holders are eligible for a refund.

TATTERSALL'S AIDS CANCER CENTER. Australia's most technologically advanced radiotherapy centre for the treatment of cancer will be opened at the Epworth Hospital, in Richmond, with the help of a \$5 Million donation from Tattersall's.

COMPANY ANNOUNCEMENTS

INTERLOTT FILES PATENT-INFRINGEMENT LAWSUIT AGAINST POLLARD. On November 1, in U.S. District Court, Interlott Technologies filed a patent-infringement lawsuit against Pollard Banknote, Ltd. Among other things, the suit alleges that Pollard's floating burster technology infringes on Interlott's patent #4,982,337 (issued January 1, 1991) covering their burster technology.

SPIELO TAKES BITE OUT OF BIG APPLE. 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. The New York Lottery projects commencing its VLT program by mid 2003, and anticipates the participation of eight racetracks. Spielo operates similar programs with the Delaware and Rhode Island lotteries, acquiring an enviable track record for games, which continue to be amongst the highest revenue generators.

SC PICKS SMARTPLAY. Smartplay International, Inc. has been awarded a contract by South Carolina Education Lottery to supply its Multipick model for an upcoming Pick 4 game. New Jersey based Smartplay serves more than 100 lotteries with a full line of drawing equipment. To learn more about Smartplay, visit www.smartplay.com

CA EXTENDS OGT. Oberthur announced a one-year contract extension with the California Lottery for the printing of Instant tickets. Oberthur's current contract with the California Lottery began in January of 1999. The contract and new extension is worth approximately \$51 million.

OGT CONTRACTED BY CT. The Connecticut Lottery awarded a two-year instant ticket contract to Oberthur.

The contract has three one-year renewal options. It is anticipated that the contract value could be worth approximately \$3 million during the initial two-year term. Oberthur currently prints the CLC's \$3 and \$5 CASHWORD games.

PCMS TEAMS WITH WINCOR NIXDORF. Wincor Nixdorf announced an authorized reseller agreement with PCMS Datafit, Inc., a supplier of POS application software and services to the retail industry. Under the terms of the agreement, PCMS Datafit, Inc. will resell Wincor Nixdorf's BEETLE® family of POS systems and selected Wincor Nixdorf services in North America.

WINCOR NIXDORF ALLIES WITH POWERVAR. Wincor Nixdorf announced a strategic alliance with POWERVAR, a leading provider of power quality solutions. As an authorized distributor for POWERVAR, Wincor Nixdorf will resell POWERVAR's Ground Guard(R) power conditioning products. The Ground Guard family incorporates technology that is designed to protect POS systems in hospitality and foodservice establishments, where electrical power is often subject to noise disturbances, spikes and surges.

THUNDERBIRD GAMING TRADING SUSPENDED. International Thunderbird Gaming Corporation (TSX – INB) announced the following update: The Company previously announced that its common shares were suspended from trading by the TSX as of the close of the market on Friday, November 1, 2002, for failure to meet the continued listing requirements of TSX. The Company will have one year to seek resumption of trading on the TSX by applying for reinstatement. The Company will be required to meet all of the TSX's listing requirements for original listing in order to be considered for reinstatement of trading privileges. The TSX will automatically de-list the Company's shares if such reinstatement has not been approved by October 31, 2003. On October 9, 2002, the Company applied for a new listing with the TSX Venture Exchange, and that exchange has not made its decision on whether the Company's shares will be listed for trading. The Company's common shares are referenced on the "pink sheets" in the U.S. but have not actively been traded through that medium

EMPLOYMENT OPPORTUNITY

LEGAL SERVICES MANAGER, WASHINGTON LOTTERY.

This exempt position reports to the Director and is located in Olympia, Washington. The Legal Services Manager is responsible for the provision of legal services to the agency, including:

- Providing legal analysis and advice on legal and policy issues to agency staff and management,
- Advising the Lottery's Director of Security on license denials and revocations,
- Managing the legal component of the prize payment function,
- Providing ethics advice and training to agency staff and managers,

- Serving as the Public Records Officer,
- Acting as liaison with the Office of the Attorney General,
- Serving as a member of the Executive Management Team,
- Serving as the Contracts Officer,
- Drafting and reviewing complex contracts
- Coordinating procurement with other necessary state agencies
- Serving as the Rules Officer, and
- Analyzing legislation affecting Lottery operations.

DESIRABLE QUALIFICATIONS

The successful candidate will possess the following qualifications.

- Current member of the Washington State Bar Association
- A law degree from an accredited law school, and two years' legal experience in government or private practice, with emphasis in one or more of the following areas:
 - Governmental procurements,
 - Administrative law, and/or
 - Financial investment/estate planning.
- Knowledge of laws, rules, policies, and procedures pertaining to contracts, government procurements, administrative procedure, contracting, and public disclosure
- Knowledge of laws relating to probate/intestate succession, trusts, community property, and bankruptcy as necessary to resolve prize payment and collection issues
- Knowledge of legal research methods
- The ability to construct and communicate to management legally sound positions on issues affecting the agency
- Interpersonal skills to deal with a wide variety of issues and people both within and outside of the agency, including members of the general public, other agencies' personnel, and elected and appointed officials
- Creativity in resolving issues
- Excellent oral and written communications skills
- Strong negotiation skills

SALARY AND BENEFITS: The salary is \$54,700 - \$69,000, depending on qualifications. Benefits include vacation and sick leave, 11 paid holidays, medical, dental, life insurance, retirement, and an optional deferred compensation plan.

HOW TO APPLY: Applicants interested in this position may apply by submitting a letter that indicates your interest and details how you meet the desirable qualifications of this position and a current resume including education, names of employers, dates of employment, responsibilities, and salary history no later than 5:00 p.m. on December 1, 2002.

Joan Reuell, Director of Human Resources

Washington Lottery

P. O. Box 43005

Olympia, WA 98504-3005

Fax to: (360) 664-4817

Email to Applications@walottery.net

For more information, please call (360) 664-4814

LOTTERY PEOPLE

Diane Connell-McGlenn, a Regional Sales Director for Oberthur Gaming Technologies Corporation won a prestigious *Powers Award* at the 2002 NASPL conference in Baltimore, Maryland.

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