

PUBLIC

# GAMING

I N T E R N A T I O N A L

World's most widely read Lottery-Racino-Gaming magazine • Video, Racino, Casino, Internet, Wireless, Online, Scratch-Off

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**

November 8, 2004

### ELECTION RESULTS FOR GAMING PROPOSALS

**CALIFORNIA -Failed:** Slots for card rooms and  
race tracks;

**Failed:** Sharing of tribal revenues by the state

**FLORIDA - Approved:** Amendment to allow  
voters in 2 counties to decide in a later vote to put  
25,000 slots at 7 tracks.

**MICHIGAN – Approved:** Requirement for voter  
approval for introduction of new lottery games.

**NEBRASKA – Failed:** Casino proposals.



**OKLAHOMA - Approved:** Creation of an  
education lottery.

**Approved:** creation of tribal  
compacts for video poker and card games and  
racinos) passed with 59% of the vote.

**WASHINGTON – Failed:** Slots in card rooms and  
other places.

**WISCONSIN – Approved:** Creation of a tribal  
casino at the Dairyland Greyhound Park

### STATES WHERE PARTY OF GOVERNOR CHANGED



With Implications for Lottery & Gaming Issues

**INDIANA – Goes Republican**

**MISSOURI – Goes Republican**

**MONTANA – Goes Democrat**

**NEW HAMPSHIRE – Goes Democrat**

**WASHINGTON – Projected to go Republican**

### SPORT BOOK PREDICTED BUSH WIN

London Newswire:

Sportsbook.com says, "Based on the betting  
action we received on the election, we accurately  
predicted the overall winner even before the  
official pronouncement that Bush won," Results of  
the wagering indicated that Bush would win 53  
percent to 47 percent in the popular vote.



### UPDATE THE RESUMES – OKLAHOMA APPROVES A LOTTERY

The education lottery won easy passage. Also  
approved was creation of a constitutional  
"lockbox" to prevent lawmakers from dipping into  
lottery revenue to replace existing education  
dollars.

\$150 million revenue projected for common,  
higher and technical education. No scheduled  
implementation date for the lottery released.



## MICHIGAN VOTERS TO CONTROL EXPANSION OF GAMING

The voter approved a proposal that would amend the state constitution to require voter approval of any form of gambling authorized by law and certain new state lottery games. The proposed constitutional amendment would: Require voter approval for any form of gambling authorized by law after Jan. 1, 2004. Require voter approval for any new state lottery games utilizing "table games" or "player operated mechanical or electronic devices" introduced after Jan. 1, 2004.

Both statewide voter approval and voter approval in the city or township where gambling will take place must be obtained.



## COMPANY ANNOUNCEMENTS

### STOCK ADVISORY RECOMMENDS SCIENTIFIC GAMES

(Motley Fool) - Though the same probably can't be said for its ultimate customers, lottery machine maker Scientific Games (Nasdaq: SGMS) announced another stellar quarter Monday night. Revenues for third quarter 2004 rose 36% to \$179.3 million, while profits came in at \$0.24 per share, up 62% over year-ago numbers and well above the analyst consensus estimate of \$0.21 per share.

Feeling its hot streak is likely to continue for the near future, the company also boosted its earnings guidance for the year to the \$0.84 to \$0.88 range. The market adjusted accordingly, sending shares of Scientific Games up 8% in Tuesday trading.

### YOUBET.COM

Youbet.com Reports Third Quarter Pre-Tax Income of \$791,000 Compared to a Loss of \$618,000 in Prior Year Period.

### GTECH CHOSEN FOR FINNISH SYSTEM

"We are delighted and honored to have one of the world's most successful and technically-progressive lottery operators such as Veikkaus Oy select GTECH for a project of this magnitude and complexity," said GTECH president and CEO W. Bruce Turner, in a statement. "This partnership with Veikkaus is a strong indication of the value and validation of GTECH's Enterprise Series solution package. ES will support Veikkaus' current distribution channels and games and provide them with an integrated and open platform for the future.

### PENN NATIONAL ACQUIRES ARGOSY GAMING

Penn National Gaming, Inc. (Nasdaq: [PENN](#)) and Argosy Gaming Company (NYSE: [AGY](#)) has announced that their boards of directors have unanimously approved a definitive merger agreement under which Penn National will acquire all of the outstanding shares of Argosy Gaming for \$47.00. The all-cash price of \$47.00 per share represents an approximate 16% premium over the closing share price of Argosy Gaming on November 2, and an approximate 30% premium over the average closing share price of Argosy Gaming over the past ninety days. The transaction is valued at approximately \$2.2 billion, including approximately \$805 million of long-term debt of Argosy Gaming and its subsidiaries. Upon closing, the transaction is expected to be immediately accretive to Penn National's earnings per share.



The combined company will be the third largest operator of gaming properties in the U.S. with annual revenue in excess of \$2 billion, over 20,000 slot machines, and approximately 700,000 square feet of casino space. Upon completion of the transaction, and reflecting previously announced divestitures, acquisitions and projects under development, Penn National will own thirteen gaming facilities; four pari-mutuel horse racing facilities and seven off-track wagering sites; a 50% interest in a fifth pari-mutuel horse racing facility; and hold a management contract for a casino in Canada.

# WINCOR NIXDORF

## CASE STUDIES

### NEW YORK LOTTERY'S TRADE-UP PROGRAM

Introduced six years ago, the New York Lottery's successful Trade-Up program continues to help maximize facings of the fastest selling Instant games in almost 16,000 New York retail locations. This program was initiated in February of 1998 as part of a series of major business building initiatives designed to streamline instant ticket management for retailers and encourage retailers to carry more games to generate more sales. The retailers at that time were reluctant to open up new game books until the old game books sold through. This mindset undercut the Lottery's Auto-ship program and significantly reduced the effectiveness of new game advertising.

Here's how Trade Up works:

1. The Lottery's Sales Representative prepares a 3-part form identifying the retailer and lists the game/book numbers being returned along with a ticket count for each book with appropriate signatures.
2. Opened books ('activated' or 'settled') must be voided by destroying the ticket barcodes with a magic marker.
3. The tickets and original form are placed into a UPS shipping envelope with an ARS label affixed to the outside. Each label is assigned a unique UPS tracking number which is specific to the Lottery account and addressed to the Lottery's warehouse.
4. The rep suggests a new order of best selling games to ensure no empty bins (hence the name 'trade up').
5. When packages arrive at the Lottery's Trade-Up Unit they are

opened and all contents verified, book details are entered into Lottery's (backend) mainframe system and accounting credits are processed for review.

6. Letters are generated and sent to the retailers advising them of the specific credit amount they will receive and when.



"We have made incredible progress in instant game business development since the start of trade up," said Lottery Director Nancy Palumbo. "Our autoship program for all new games has grown from 6,000 retailers to 12,500 or 80 percent of the network. Facings now range from 20-24



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



on average, a huge increase from before which dramatically affects current as well as potential sales".

Additional benefits include the ordering of Holiday games and special occasion games right up to the actual day. Also, retailer feedback at the October round of Advisory Board meetings now indicate for the first time, retailers across the state are open to the idea of the Lottery managing their inventory for them. In other words, they are interested in having autoship expanded to all Instant games not just new games. Without the trade-up program in place for both full and partial books, this would never have been possible.

**MARK YOUR CALENDARS!**

*What:* PGRI's SMART-Tech 2005  
*When:* February – dates TBA  
*Where:* Las Vegas!