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To: Lottery, Video Gaming & Racino Executives
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Public Gaming Research Institute Inc.'s

International

Morning Report

Your weekly supplement to
**Public GAMING International
Magazine**

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MI SENDS RECORD PROCEEDS TO EDUCATION.

Michigan's School Aid Fund will receive a record \$644.5 million from the Lottery with its FY '04 net proceeds. The \$644.5 million contribution surpassed the previous record contribution of \$621.1 million in 1999. The boost is credited in large part to the highly successful launch of Club Keno into Michigan bars and restaurants in late October, 2003. Club Keno brought in \$204 million in totals sales in its first year, resulting in \$57 million for education.



GA REACHES \$7 BILLION IN TRANSFERS. The Georgia Lottery announced that its fiscal year 2005 first quarter transfer to the Lottery for Education Account will reach \$188,393,622. This is the largest first quarter transfer in the history of the GLC, bringing the total raised for educational programs in the state of Georgia to more than \$7 BILLION since the lottery's inception in 1993. Georgia Lottery sales remain strong, reaching \$643,199,052 for the first quarter of fiscal year 2005, which spanned from July 1, 2004 to September 30, 2004.

ND RELAXES PURCHASING RULES. The North Dakota Lottery Commission will now allow close family members of the lottery advisory board to buy tickets. The Board's five members, and lottery employees, are still prohibited from buying tickets.

POWERBALL SPURS WI TAX RELIEF. After a

surge in Lottery sales spurred on by recent large Powerball jackpots, Wisconsin homeowners will get an average lottery credit of \$93 on this December's property tax bills, up \$10 from last year. Statewide, the credit will total \$133 million and will be split among 1.4 million homeowners.

NYC KENO CLASH. NYC CLASH (Citizens Lobby Against Smoker Harassment) called for NY Quick Draw



keno operators to shut down their Keno game from October 23-29 in protest of the state's smoking ban. A similar shut down was orchestrated in May 2003.

INTERNATIONAL NEWS

UK INTERNET NUMBERS. BBC News recently reported that Nielsen/NetRatings found more than four million U.K. residents gamble online regularly. Nielsen/NetRatings also found that the U.K. National Lottery site is the most popular option, seeing an average of 1.4 million visitors each month.

NZLC SEES SALES JUMP FOR FY 03/04. An extremely strong first six months, driven by several Powerball jackpots, and a solid performance in the third and fourth quarters, meant New Zealand Lotteries Commission (NZLC) had sales and profit results well above those of the previous financial year. Sales for the year were 16.4% above the last financial year at \$628.8 million. Strong sales coupled with low operating expenses resulted in NZLC making a profit of \$133.45 million, 24% ahead of last year.



EU TAKES GREECE'S VIDEO BAN TO COURT. The European Union's head office took Greece to court for failing to change a law that bans all mechanical and electronic games, including computer games, from public or private places. In a complaint filed with the European Court of Justice, the commission charges the law violates the free movement of goods and services within the single market. Greece promised to amend it following a warning from Brussels in April, but has yet to do so, the commission said.

LOTTO NIGERIA BEGINS TERMINAL

INSTALLATION. Lotto Nigeria has begun the installation of its terminals in retail outlets throughout the country. Phase one of the roll-out will include 1200 terminals nationwide.



BELGIAN LOTTERY TURNS 70. Last Monday, October 18, the Belgian National Lottery celebrated its 70th anniversary. The celebration took place in one of Belgium's most impressive bastions of culture, the Brussels Palais des Beaux Arts, a building designed by Belgium's most famous architect, Victor Horta. Speakers included Baron Tayard de Borms, the Viscount Davignon, Mr. Blanchard-Dignac, president of La Française des Jeux, and the Belgian Vice-Prime Minister, Johan Vande Lanotte. The celebration also featured a special anniversary Lotto-draw with a jackpot of 7 million Euros and a preview of the exhibition "*The Thrill of the Game - The National Lottery is 70*". The National Lottery was proud to celebrate its anniversary in the presence of His Majesty the King of Belgium, Albert II.

MALTA LAUNCHES NEW SPORTS BETTING GAME.

Maltco Lotteries, Malta's National Lottery operator, launched a new sports betting brand - U*Bet. U*Bet includes three games: Football Longlist (which includes hundreds of international football games each day); Football Gold; and Sports Challenge. U*Bet programs are to be available free of charge on Tuesdays and Fridays from all the lotto booths. U*Bet will utilize the same technology platform currently used to play Super 5 and the Saturday lotto.

NZLC SHORT LISTS SUPPLIERS. New Zealand Lotteries Commission has selected three suppliers to go forward to the next stage for selection to supply a new gaming system to the lottery. The three short-listed suppliers are: GTECH, Scientific Games and Intralot.



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



OLDEST SPORTS BETTING GAME TURNS 70. On October 20-21, 1934 the Swedish lottery company Tiptjänst (now Svenska Spel) was the first state regulated gaming operator to introduce football betting. Seventy years later the product is still vital. In spite of tough competition from other sports betting alternatives such as Oddset, Stryktipset is still a hit in Sweden with sales exceeding 1 billion SEK (approx. US\$150M) in 2003 and is rated the most popular game among young sports-oriented men. Of course Stryktipset can also be played on the Internet site for

Svenska Spel for those who are not under-age. Many lotteries in the world have copied the Swedish Stryktipset success matrix after its introduction in 1934.

VIDEO GAMING/RACINOS

PENN RECEIVES UNCONDITIONAL LICENSES IN ME.

The Maine Harness Racing Commission has granted Penn National Gaming an unconditional racing license for Bangor Historic Track for the 2004 racing season. The annual license represents the completion of the first regulatory approval necessary for Penn National to proceed with its proposed \$74 million development project at the track including the construction of the State's first and only gaming facility where Penn National intends to place approximately 1,500 slot machines.

POLL SHOWS MI PROPOSAL 1 SUPPORT WANES.

A new statewide poll commissioned by The Detroit News shows Michigan's Proposal 1 support plummeting. The poll of likely



voters -- conducted Oct. 18 & 19 -- highlights a staggering 17-point deterioration of support for the proposal. Opponents of the proposal say that it would give constitutional protection to Detroit and tribal casinos, and would give them a gambling monopoly. Also, the Michigan Lottery would need statewide votes just to add games or self-service terminals. Recently, Proposal 1 has sputtered after a broad coalition of bipartisan elected officials, education groups, the agriculture industry and others organized an effective grassroots voter education campaign to make everyone aware of the true intentions of this proposal and the danger it poses to Michigan residents, jobs and schools.

PENN TO SELL POCONO DOWNS.

Penn National Gaming has entered into an agreement whereby a subsidiary of Penn National will sell The Downs Racing and its subsidiaries to the Mohegan Tribal Gaming Authority. Penn National anticipates that net proceeds from the sale after taxes, post closing adjustments, fees and other expenses will be approximately \$175 million, which the Company expects to use for debt reduction. Penn National is divesting Pocono Downs to satisfy the condition of Pennsylvania's new slot machine legislation, which includes a provision that restricts ownership to 100% of a first licensed operation and no more than 33% ownership in a second operation. In addition to the Pocono Downs facility, Penn National Gaming owns the Penn National Race Course in Grantville, Pennsylvania, for which it has announced plans to develop a slot machine facility.

RHODE ISLAND VLT NUMBERS RISE.

VLTs at Rhode Island's Lincoln Park and Newport Grand sent the state \$65.5 million for the first quarter of FY05 -- a 17.4% increase over the same period last year. Net terminal income generated for the state at Lincoln and Newport was \$18,406.91. Lincoln and Newport return 60% of VLT revenue to the state. Lincoln Park expects to install an additional 459 machines by May, 2005.

MARK YOUR CALENDARS!

What: PGRI's SMART-Tech 2005

When: February (dates TBA)

Where: Las Vegas!

For details: Call Susan Jason, Tel. 425-985-3159

LONDON, ONT., BENEFITS FROM SLOTS. The Ontario Lottery and Gaming Corporation (OLGC) has provided municipal officials in London with details of an economic impact report card for the Slots-at-Western Fair. The report card shows more than \$120.6 million in direct economic benefits has been generated in the London area by the slot facility since the site opened in September of 1999. The facility employs more than 400 OLGC staff..

PA COMMITTEE VOTES TO CHANGE BILL. The Pennsylvania House State Government Committee voted 22-3 in favor of a bill to ban lawmakers from owning a stake in gambling-related businesses. The Bill also would expand the attorney general's enforcement powers over a new gambling commission and strip the commission of its authority to override local zoning ordinances, except in Philadelphia.



AGA PRESIDENT ANNOUNCES SUPPORT OF BIFCO.

Frank Fahrnkopf, President of American Gaming Association (AGA) stated at a press conference hosted by the Nevada Minority Business Council, during the Global Gaming Expo, that the AGA will support BIFCO (Buford International Food Company) the first minority broad based food and non foods products distributor headquartered in Las Vegas. According to Mr. Fahrnkopf "The AGA has been committed to doing everything we can to support Minority, Small & Disadvantaged businesses in every area of our industry."

COMPANY ANNOUNCEMENTS

BOSS MEDIA ACQUIRES INTEREST IN LEADING INNOVATOR OF MOBILE GAMES.

Boss Media is acquiring an interest in Jadestone Group AB, a Swedish company that is a world-leading developer of games and technology for mobile phones. In addition, Jadestone develops online and multiplayer games for various digital channels, often in combination with one another. Among other innovations, the company has developed a unique 3D-platform in Java, which provides the possibility to play skill games in a web-based environment. Boss Media is initially acquiring 20 percent of the company's shares and holds an option to purchase an additional 5 percent. The transaction is strategically important for both companies, which immediately gain access to each other's customers and products. An agency agreement was signed between the two companies to increase each company's interest in promoting further sales of the other's products. The companies are also entering into a development agreement in which Boss Media is assigning projects to Jadestone for the development of mobile games.

CIRSA TO SET-UP PLANT IN RUSSIA. Cirsa is reportedly planning the creation of a network of slot machine assembling plants outside Spain. The first plant will be set up in Russia, where Cirsa has received orders for slots to be used in facilities in Moscow and Saint Petersburg.



DILBERT ACQUIRED BY MDI. MDI Entertainment has acquired the exclusive lottery licensing rights to DILBERT™, the extraordinarily popular comic strip character created by Scott Adams, from United Media. DILBERT™ joins a category of MDI licensed lottery properties that also includes Pink Panther™, Betty Boop™, Popeye® and Rocky and Bullwinkle™. According to United Media, DILBERT™ core fans are 18-34 year old males with a strong contingency among professional men, and women between the ages of 18 and 45. 75% of DILBERT™ fans are between 23 and 52 years old, and 57% earn more than \$50,000 per year.

EGC AND SCI-GAMES ENTER INTO JOINT

VENTURE. Scientific Games and Electronic Game Card have entered into a joint venture agreement. Under the terms of the agreement, the two companies will jointly market and promote the Electronic Game Card product to the \$40 billion "instant" sector of the overall \$150 billion global lottery market, sharing costs and profits from the joint enterprise. The Joint Venture agreement replaces an earlier agreement signed between the two companies in May 2003 in which Scientific Games International acted as a distributor for Electronic Game Card Inc. As part of the Joint Venture agreement, Scientific Games Corporation will purchase 10% of Electronic Game Card Inc.'s common stock.

KENO.COM. Gaming Transactions Inc. announced that it has acquired Keno Limited. Keno Limited (UK) holds the license to the URL Keno.com and a license to an Internet financial gaming transaction system from Red Ruth Ventures Inc. Gaming Transactions Inc. will provide management for the new destination gaming portal, which will be launched in the near future. Keno.com will become an online fixture where players will be able to participate in a number of Internet gambling and online gaming fixtures.



OGT HONORS VA. Oberthur Gaming is pleased to present the "Winning Partnership Award" to the Virginia Lottery for the second consecutive year. An outstanding 16% increase recognizes the Virginia Lottery as the OGT client attaining the highest fiscal year 2004 instant ticket sales growth in the USA. In FY03, the Virginia Lottery achieved a 10% sales increase over the previous fiscal year.

QLOT WINS TURKEY PRIVATIZATION. QLot Consulting, together with Ernst & Young Turkey, has been selected to advise the Turkish Privatization Agency in the privatization of Milli Piyango, the Turkish National

Lottery. The lottery, currently boasting 8,000 retailers, is expected to be privatized during 2005 through an international public tendering process.

SAARLAND SPORTTOTO CHOOSES WINCOR NIXDORF. Saarland Sporttoto GmbH (SST) is the eighth of a total of 16 German lottery companies to move their lottery outlets across to terminal solutions from Wincor Nixdorf. SST is to commence the terminal replacement drive at the beginning of 2006 and start using the new-generation terminals as early as March 2006. The order placed by SST – the lottery operator in Germany’s most westerly province – comprises not only the supply of 468 Xion / Mtop terminals, but also the Xicore terminal software. Once installed, the Xion / Mtop units will also – for the first time – allow customers to top up their telephone cards.

TX SIGNS WITH POLLARD. Pollard Banknote has signed a new contract to supply instant tickets and related services to the Texas Lottery Commission. The contract runs from September 1, 2004 to August 31, 2007. The Lottery can extend the contract for as many as five additional one-year periods. Pollard Banknote will serve as the Lottery’s secondary vendor for instant ticket manufacturing and services.

CASE STUDIES

CASE STUDY – NEW YORK LOTTERY DIRECTOR RETAILER APPRECIATION PROGRAM

“Congratulations! Your ongoing efforts to increase your New York Lottery business have made you one of the Top 50 Most Improved Retailers in your region and among the top 2% of the most improved retailers across the state.” So reads the opening sentence of a letter addressed to 300 New York Lottery retailers as part of an innovative recognition program aimed at motivating a whole new segment of New York’s Lottery retailer network.

“The idea for the *New York Lottery Director Retailer Appreciation* program came from input received during a round of Retailer Advisory Meetings last April,” said New York Lottery Director Nancy A. Palumbo. “Retailers made it clear, particularly upstate, that we could be doing more to recognize a greater percentage of our retailer network beyond the annual Top 40 sellers,” Director Palumbo explained. “We immediately saw this as an opportunity to create a, customized program to reach out to several hundred of our up and coming retailers on an on-going quarterly basis. We wanted the program to deliver a strong, sales-based message recognizing hard work and celebrating the accomplishments of those retailers who posted significant sales increases from one quarter to another. Thus, the regional Top 50 Most Improved Retailers’ concept was born. The program gives us a chance to publicly recognize our retailers’ recent success and foster their efforts to achieve even greater returns in the future.”

To determine the Top 50 Most Improved Retailers, the New York Lottery compares sales from one quarter with the corresponding period from the prior year to determine an increase percentage by retailer location. To be eligible for the “Most Improved” designation, retailers need to be in

operation at least 26 weeks prior to the start of the base sales period, must have processed wagers for at least 12 weeks of the base period and they must remain in good standing during both periods.

New York mailed out the first set of recognition letters to the Top 50 retailers in each of its six sales regions in early October. The letter, signed by Director Palumbo, alerted retailers that their efforts had earned them a special Rewards Package to be delivered by the Lottery’s sales representative for that location. Each Rewards Package included a Certificate of Appreciation signed by Director Palumbo, a tote bag full of New York Lottery merchandise for themselves and their staff and 100 Lotto Free Play coupons to be used for promotional purposes. The Lottery also plans to publish the business names of the Most Improved retailers in a quarterly update which is distributed to all Lottery retailers in New York State.

The New York Lottery will host a special Director’s Appreciation event this spring for the 10 Most Improved Retailers in each region. The same guidelines used to select the Top 50 Most Improved Retailers will be employed to select the retailers to be invited to this event. Sales staff and retailer reaction to the new program has been very positive.



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