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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**January 24, 2005

KEYNOTE SPEAKERS SMART-Tech 2005

Public Gaming Research Institute is pleased to announce the Keynote Speakers for SMART-Tech 2005 in Las Vegas at the Bellagio Hotel, February 28 to March 3, 2005.

Keynote Speaker on February 28 will be Dr. Edward Stanek.

Dr. Stanek is President and CEO of the Iowa Lottery Authority, which he has headed since its inception in 1985. He is one of the world's leading lottery innovators and is the most experienced and most senior lottery leader in the United States. He was a co-founder and a past president of the Multi-State Lottery Association and was coinventor of the most popular lotto game in the US. Powerball. He is currently chairman of the MUSL game development committee. Dr. Stanek is past president of the North America Association of State and Provincial Lotteries, past president of the International Association of State Lotteries, past member of the Executive Committee of Intertoto, and is immediate past vice-president of the World Lottery Association.

The Keynote Speaker for March 1 will be Mr. Lorne Weil.

Mr. A. Lorne Weil has been a member of the Board of Directors since 1989 and Chairman of the Board of Scientific Games, Inc. since October 1991, Chief Executive Officer of the Company since April 1992 and President of the Company since August 1997. Mr. Weil was President of Lorne Weil, Inc., a firm providing strategic planning and corporate development services to high technology industries, from 1979 to November 1992. Previously, Mr. Weil was Vice President, Corporate Development at General Instrument Corporation, working with wagering and cable systems. Prior to that, he was a senior professional with the Boston Consulting Group.

COMPANY ANNOUNCEMENTS IGT AND SCIENTIFIC GAMES ANNOUNCE

ALLIANCE. IGT and Scientific Games Corporation have agreed to formalize terms for a worldwide, long-term strategic alliance to jointly provide products for the converging gaming market. The alliance will combine key new technology and development initiatives utilizing Scientific Games AEGIS(R) Video Control systems and IGT Advantage(TM) systems products, including Accounting, Patron Management, Bonusing and the EZ Pay(TM) ticket system, for use in the rapidly growing government-sponsored gaming, pari-mutuel wagering and commercial gaming markets. In the near term, both companies will cooperate in the submission for the Louisiana procurement for a central monitoring system, which will feature a comprehensive combined solution to meet the expectations of the Louisiana market. The financial terms of the alliance were not disclosed.



AUTOTOTE AND TRAXCO COMPLETE 5-YEAR RACEBOOK DEAL. Scientific Games Corporation announced that its subsidiary Autotote Enterprises Inc. completed an agreement with TRAXCO, Inc., a subsidiary of the Treasure Bay V.I. Corp. to supply racebook services as part of Autotote's turnkey off-track betting (OTB) services. The agreement is for five years and is valued at \$3 million. TRAXCO, Inc. recently completed an exclusive

franchise agreement with the St. Croix Racing Commission to open a racebook and operate the existing track on St. Croix. Autotote will supply OTB services to TRAXCO, Inc. at the Divi Carina Bay Casino operated by Treasure Bay V.I. Corp and simulcast center at the Randall "Doc" James Racetrack in Christiansted, and other satellite OTB locations on St. Croix to be developed later.



CASINO ARIZONA CHOOSES JCM. Casino Arizona has chosen JCM American as the exclusive supplier of bill validators for its two Scottsdale-area properties. JCM currently holds more than 85 percent market share in the region, and this agreement is the company's first major contract in state. Under the agreement, JCM will be the exclusive bill validator supplier for Casino Arizona's Indian Bend and McKillips locations, and will replace other validators currently in use at the properties. Casino Arizona operates more than 1,500 gaming devices at its two locations.



SMARTPLAY'S ORIGIN IN ARIZONA. Smartplay International Inc. announces the second placement of its OriginTM digital draw system. The Arizona Lottery follows New Mexico Lottery in its decision to convert drawing operations to the Smartplay system. Installation is planned for late February.

SCI-GAMES, CO REACH AGREEMENT. Scientific Games Corporation and The Colorado Department of Revenue have agreed to delay the conversion date for the new online lottery system for ninety days. The Colorado Department of Revenue is also immediately exercising one of its two options to extend the term of its contract with Scientific Games for two years, ensuring operation of the system through October 31, 2012. The extension is valued at approximately \$14 million.

BRAZIL'S CEF LOTTERY SITE POPULAR. Internet banking clients at Brazilian federal bank Caixa Economica Federal (CEF) performed Internet transactions in the amount of 18.9billion reais (US\$7 billion) in 2004. The site received more than 490 million visits in 2004, with the greatest percentage (37%) going to the lottery section of the site. The next most popular portion of the site was Internet banking (24%).

eGENTING HOLDINGS BECOMES PLATINUM MEMBER OF GSA. Membership in the Gaming Standards Association (GSA) continues to grow worldwide, and the organization is proud to welcome its newest Platinum Member, the Genting Group, the leading casino operator in the Asia Pacific region. The Genting Group, a leading Malaysian conglomerate, has around 36,000 employees globally. Genting Group's aggregated market capitalization, including Star Cruises

is \$8.23 billion. Genting Highlands Resort, one of Asia's leading destination resort casinos, is an hour's drive from Kuala Lumpur, the capital city of Malaysia. The Genting Group's membership in the GSA is represented by eGENTING, its technology arm.

IGW SOFTWARE SIGNS WITH PHANTOM

FIBER. Phantom Fiber Corporation announced that IGW Software, N.V. a subsidiary of Global Entertainment Holdings/Equities, Inc. has signed a five-year license agreement with the Company. Under the terms of the agreement, IGW Software will offer mobile solutions using Phantom Fiber's advanced wireless framework to its sportsbook, racebook and casino operators worldwide. IGW Software's mobile solutions suite enables operators to extend their wagering service beyond the desktop PC or telephone through browser-based phones in addition to mobile devices powered by Windows Mobile's PocketPC Phone Edition and Smartphone, PalmOS, SymbianOS and RIM Blackberry - allowing them to market their wireless service to a global audience with access to mobile devices totalling 600+ models worldwide.

MELBOURNE CRICKET GROUND CHOOSES

INFOGENESIS. The Melbourne Cricket Ground—the largest stadium in the Southern Hemisphere with up to 100,000 seats—recently selected an InfoGenesis information technology solution to manage all food and beverage POS transactions throughout the stadium. The sale was completed by InfoGenesis Australia, a Sydney-based reseller of the company's products and services.



MERCURY OPTIMIZES CAMELOT'S MOBILE

LOTTERY. Mercury Interactive Corporation announced that it is helping enable Camelot, the U.K. lottery operator, to optimize the quality, performance and availability of Play by Text - the service which enables players to purchase tickets for National Lottery games through their mobile phone. Camelot uses Mercury Quality CenterTM, Mercury Performance Center(tm) and Mercury Business Availability CenterTM to ensure Play by Text offers the high level of customer service that National Lottery players have come to expect. Since Camelot launched it's interactive offerings, Mercury has delivered a full return on investment by reducing the manual effort involved in testing and monitoring the performance of its business applications. Most recently, Mercury Performance and Quality Centers were used to deliver applications that enable Camelot customers to play Lotto by text message through their mobile phone.

OGT CYBER GAMESTM SAFE FROM VIRUS. Following an article published on the BBC News website on January 13, 2005 and some warnings published on different websites regarding a WindowsTM virus that travels with the popular multimedia game Tetris®, Oberthur Gaming Technologies is proud to confirm that its Cyber GamesTM are safe and not subject to such viruses. OGT's games are multimedia lottery games played on the Internet and totally different from the regular Internet game. Entirely developed

in-house by INGENIO, a subsidiary of Loto-Québec, the content of OGT's Cyber Games™ is designed using INGENIO's patented multimedia lottery methodology. The patented process developed by INGENIO comprises the highest standards of security, which are required by the lottery industry to guarantee the product's integrity and to protect the Lottery's reputation. INGENIO's patented methodology includes all development stages, i.e. graphic design, sound track and sound effects, as well as all multimedia applications and programming. Also, because INGENIO develops multimedia lottery games from scratch rather than using source codes from existing Internet games, OGT's Cyber Games™ are absolutely safe. OGT's Cyber Games™ are based and inspired by world-renowned games concepts and play actions, such as *Cyber Slingo*® and *Tetris*®.

RECORD SALE FOR VENUS SYSTEMS. WinTV, the drawing department of EDITEC SA is in the middle of a record quarter for its production of Venus drawing machines, with 21 machines produced between November and January and supplied to various lottery operators in Europe and Asia. This exceptional volume has been boosted by an order from Lottomatica in Italy for the installation of 14 Venus Systems in order to automize the traditional manual draw of its Lotto game. The Program, the details of which will be given later, includes unique mechanical and software upgrades of the Venus System. The rhythm of production is expected to remain strong for this highly demanded machine.

SLINGO REINVENTS BLACKJACK. Slingo, Inc. announced that its hit game Bonus Bet 21 is now available at two casinos in Atlantic City, N.J. Bonus Bet 21, made popular at the

casinos in Atlantic City, N.J. Bonus Bet 21, made popular at the Slingo.com website, is one of the first table games to be developed on the Internet prior to introduction as a casino table game. Bonus Bet 21 is based on the popular table game Blackjack but offers the player more options in the form of sidebets. Players can now bet on the outcome of the first two cards of their dealt hand, adding an additional ten chances to win.

3M PRIVACY PRODUCTS. 3M Touch Systems announced the addition of two new privacy products to its existing line of privacy solutions: Resistive PrivacyTouch offers users the convenience of privacy film in a MicroTouch resistive solution; and Privacy Glass 1000 offers a non-touch privacy glass for liquid crystal displays (LCD). Both new products integrate Vikuiti films to provide a value-added solution that helps satisfy privacy requirements for the healthcare and financial markets. For product information on the Privacy Monitor, visit: www.3Mprivacy.com

VIDEO GAMING/RACINOS

MTR GAMING TO BUILD SECOND TRACK IN MINNEAPOLIS METROPOLITAN AREA, MTR Gaming

Group, Inc. announced that the Minnesota Racing Commission granted North Metro Harness Initiative, LLC's application to construct and operate a harness racetrack in Columbus Township, Anoka County, MN. In June of 2004, MTR's wholly owned subsidiary, MTR-Harness, Inc., acquired a 50% interest in North Metro and became a Managing Member for \$10,000 (plus transaction costs) and a commitment to invest up to \$7.5 million upon receipt of all required licenses. North Metro plans to build the facility on a 165-acre site currently under option. The track would be the second of only two racetracks permitted by law in the seven-

county Minneapolis metropolitan area. Minnesota law permits licensed racetracks to operate a card room with up to 50 tables offering "non-banked" games, subject to completion of the racetrack's first 50-day live race meet and regulatory approval of a card room plan of operation. Accordingly, North Metro intends to commence card room operations at the earliest practicable date.

FL TRACK ENLARGES POKER ROOM. Naples-Fort Myers Greyhound Track in Bonita Springs, FL, has remodeled to allow more room for poker and simulcast wagering. The newly reopened third floor clubhouse now includes 24 tables for poker and a new large lounge with large plasma TVs.

NEW HARNESS TRACK IN WINDSOR PROPOSED.

Ron and Mike Kohler of Sterling Heights, Michigan are seeking to build a new harness-racing track in Windsor, Ontario. The pair, who first attempted to purchase Windsor Raceway from Tandem Entertainment, recently filed paperwork with the Ontario Racing Commission. It's been estimated that the construction of the facility would cost approximately \$40 million.



OREGON CASINO PROPOSED. Oregon Gaming & Entertainment Co. (OGE) would like to build a \$490 million, one-million-square-foot, "Oregon Entertainment Center" on an unspecified site south of Portland. The company intends for the state lottery to operate the center's proposed 3,500 VLTs and share in 25% of the profits. The Center would generate an estimated \$100 million per year for the state. The plan requires voter approval, due to the fact that casinos are prohibited by the state constitution (tribal casinos fall under federal jurisdiction). The OGE is asking the Legislature to put the measure on the ballot. If the Legislature doesn't, the OGE will attempt to gather 100,000 signatures by July 2006 to get the proposal on the November 2006 ballot. Oregon Governor Ted Kulongoski is not in favor of the plan, saying that if the state were to move in the direction of a casino, it would make more sense for the Lottery to operate it so that the state could keep all the profits.

ME BOARD SEEKS EXTENSION. The Maine Gambling Control Board members agreed to ask for a one-year delay on a report to the Legislature on the benefits of controlling all gambling with one entity. The report was initially due Saturday, January 15. Delaying the report will not effect the development of the racino in Bangor.

PA HARNESS TRACK LICENSING DELAYED. The

Pennsylvania Harness Racing Commission is delaying a decision on the state's final harness racing license due to one of the potential licensees changing his major financial backer. The fourth license will likely go to either Carmen Shick of Ambrosia Enterprises, or to Centaur Inc. Whoever wins the license will not only be allowed to operate a harness track, they will also be entitled under state law to operate a casino with up to 5,000 slots. Shick seeks to build a track in Lawrence County named Bedford

Downs. Centaur wants to build a track in Beaver County called Valley View Downs. A decision on who gets the license will likely be reached by May.

LOTTERY NEWS

MS LOTTERY BILLS INTRODUCED. Mississippi Rep. Alyce Clarke, D-Jackson, recently introduced House Bill 550, proposing a Mississippi State Lottery that would fund Hope scholarships for college students. Rep. Ferr Smith, D-Carthage, introduced House Bill 432 that would establish a lottery to fund teacher and state employee pay raises. The bills must first navigate the House Ways & Means Committee.

NY TOPS \$6 BILLION IN CY04. The New York Lottery just finished a fantastic Calendar Year 2004, as lottery sales (including VLT revenue) reached \$6.13 billion, 8.7% higher than CY 2003 revenue. VLT revenue from Monticello, Saratoga, Buffalo and the Finger Lakes reached \$193.8 million.

Meanwhile, instant sales climbed 10.5%, up to \$2.9 billion, and Mega Millions rose 13.2%.

NH SEEKS HIGHER PRICE POINT. New Hampshire State Sweepstakes Director Rick Wisler told the state's House tax-writing committee that the legislature will need to increase the maximum price point on Instants from \$10 to \$20 in 2006, and up to \$25 in 2007 if they want to increase the likelihood of lottery revenue growth. A bill is currently being drafted that would allow the Lottery to increase the price of tickets. Wisler has also proposed changing state law to allow individuals convicted of a class A misdemeanor to sell lottery tickets ten-years after their conviction, and allow those convicted of a class B misdemeanor to sell tickets after five. He also suggested that the state allow the lottery to be sold at mobile locations.

TN TO PROVIDE ESTIMATED LOTTO 5 JACKPOTS.

The Tennessee Lottery announced it will remove some of the mystery from its popular Lotto 5 computerized game by giving players an estimated jackpot before each of the tri-weekly drawings. Prior to estimating the jackpot, players only knew the rollover amount from the previous drawing if there was no winner. At the game's launch, it was announced that the top prize would range from the "tens of thousands to more than one-hundred thousand dollars."

WHEEL OF FORTUNE. "Wheel of Fortune" fans, who have thought of sharing the stage with Pat Sajak and Vanna White, may be a step closer to celebrity status. New Mexico Lottery players have less than one month remaining to enter non-winning "Wheel of Fortune" scratcher tickets for a chance to win a trip for two to Hollywood, and audition for a chance to be an on-air contestant. The Lottery's "Wheel of Fortune" scratcher game features a top prize of \$33,000. The grand prize winner will receive airfare, three nights' hotel accommodation, \$1,000 spending cash, tickets to a "Wheel of Fortune" audition for a chance to be an on-air contestant and a "Wheel of Fortune" prize pack. The prize pack consists of a leather travel bag, Polar® fleece jacket, ball cap and embroidered t-shirt, each with a "Wheel of Fortune" logo. Prize packs will also be awarded to 382 runners-up. Grand prize-winners selected during their auditions to be on-air contestants will receive

an additional three-day, two-night trip including airfare and hotel coinciding with the program taping.

NE DESIGN 'EM. The Nebraska Lottery is relaunching its popular '*Design 'Em*' Contest. The contest awards prizes for the best new designs for scratch tickets. A panel of Nebraska Lottery judges will select the top 20 entries, and each will receive 50 Nebraska Lottery Scratch tickets and a T-shirt. Those finalists will be posted on www.nelottery.com in two groups.

MI PLAYERS WAIT FOR THE RED BALL. Between

January 17 - February 5, 2005 after the regular Daily 3 evening drawing, the Michigan Lottery will conduct another drawing from a separate machine holding 5 white balls and 1 Red Ball. When the Red Ball is drawn, the Lottery will then draw a SECOND set of Daily 3 numbers, giving players a SECOND chance to win on the same ticket - and making lots more winners! The Lottery will pay out the exact same prize amounts for the Red Ball Double Draws as for the regular drawings. When a white ball is drawn it will be taken out of the machine and set aside (making one less white ball to draw from the next night and increasing the chance of drawing the Red Ball) and no Double Draw will happen that night. Whenever the Red Ball is drawn, all the balls will be returned to the machine for the next drawing. It is guaranteed that at least three Red Ball Double Draws will occur during the promotion

DE LAWMAKERS SEEK DRAW CHANGES. Delaware

House Majority Leader Rep. Wayne A. Smith, R-Wilmington, and Sen. Nancy Cook, D-Kenton, are reportedly planning to introduce legislation to require mechanical draws on all draw games, thereby eliminating the RNG drawings implemented as a cost-saving measure. The legislators cited giving the public the option of watching the drawings, and a public confidence issue within their constituencies as reasons for the bill.

MN BILL WOULD FUND LOCAL PARKS. Minnesota Rep. Paul Thissen, DFL-Minneapolis, is planning to introduce a bill that would dedicate part of scratch game proceeds to support the park system in the city where the tickets were bought.

VA HAS BEST SECOND QUARTER IN ITS HISTORY.

The Virginia Lottery is 2 for 2 in fiscal year 2005. Executive Director Penelope W. Kyle announced that second quarter sales set a record, just like the Virginia Lottery's first quarter sales. The sales total for October, November and December totaled \$329,978,333, which is 5 percent higher than the previous year. This comes after a record first quarter, in which sales were up 10 percent from the previous year. All in all, calendar year 2004 was the best ever for the Virginia Lottery, with sales topping \$1.3 billion. That's all great news for Virginia's K-12 public schools, the sole beneficiary of Virginia Lottery profits.

ENEL CUSTOMERS CAN PAY BILLS THROUGH LOTTOMATICA TERMINALS. Starting January 20,

Lottomatica customers can pay their Enel bill by Bancomat Card at 20,000 tobacconists, bars, bet collection points and stationers showing the PUNTOLIS® brand, and all those shops selected and linked to the Lottomatica Italia Servizi and Totobit (Lottomatica Group companies) networks. Customers may also pay at tobacconists outside the Lotto Game network, but linked to the Servizi Base 2001 network (a company owned by FIT -

Federazione Italiana Tabaccai). These infrastructures jointly represent Italy's most extensive citizen services network, performing approximately 190 million transactions every year, with a counter-value exceeding €2.2 billion (Euro). It is easy to identify shops providing the service: all of them, in fact, show the window sticker "Pay your Enel bill here!" and "PUNTOLIS® - Lottomatica Italia Servizi - a fast service does pay".

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

HOTEL ROOM ALERT

SMART-Tech 2005

February 28-March 1 Bellagio Hotel, Las Vegas

The deadline for discounted sleeping rooms at the Bellagio Hotel for SMART-Tech 2005 is January 31. The discounted rate is \$159 per room night, single or double. Make your reservations by January 31 to ensure that you get a room at the discounted rate.

Please call the Bellagio reservations directly at 702-693-7444 or 888-987-6667. Be sure to mention SMART-Tech or Public Gaming Research Institute to get the discount.

CASE STUDIES

SPOTLIGHT ON NEW YORK: THIRTY-SOMETHING & SET FOR LIFE

Anyone would be thrilled to win \$5,000 a week for the rest of their life, but for 32 year old Jennifer Micheli, it means a long awaited trip to Disney World for the whole family.

Micheli, a stay at home mother of two, only buys New York Lottery Instant game tickets every now and then with her leftover spending money. The Michelis had hoped to plan a family vacation to Disney before her big win but realized that they couldn't afford it. Now her dreams can come true and her family will make it to Disney World after all. The Michelis also plan to invest some of the money in their children's education and to purchase their first brand new car.

Set For Life is a \$10 Instant game ticket that offers players 15 chances to win up to \$5,000 a week for life. Micheli or her estate is guaranteed to receive at least \$5,000,000.

While she may not be planning a trip to Disney World, Samantha Heumann is celebrating a \$1,000 a week for life birthday gift to herself. Heumann, a 6^{th} grade math teacher, purchased her lucky Win for Life ticket on her way out to celebrate her 33^{rd} birthday with friends.

Win \$1,000 a Week for Life is a \$2 Instant game ticket that offers players 2 chances to win up to \$1,000 a week for life. She will receive her prize in quarterly payments of \$13,000 less required tax withholdings each

year for the rest of her life. Heumann or her estate is guaranteed to receive at least \$1,000,000.

Michael Sterzel, a 30 year old father of one, plans to start spending his \$2,000 a week for life win on a college fund for his 16 month old daughter. While he has won small amounts before, he couldn't believe it when he hit the jackpot this time. In addition to saving for his daughter's education, he also plans to buy an ipod and a brand new jeep.

Win \$2,000 a Week for Life is a \$5 Instant game ticket that offers players 3 chances to win up to \$2,000 a week for life. He will receive his prize in quarterly payments of \$26,000 less required tax withholdings each year for the rest of his life. Sterzel or his estate is guaranteed to receive at least \$2,000,000.

The Lottery recently announced these three winners showcasing our popular Win-For-Life instant game family at a press event at the magnificent Oheka Castle on Long Island. "The Win-For-Life concept has captured the imagination of New Yorkers", said Lottery Director Nancy Palumbo. "There is something wonderfully translatable about the idea of lifetime security, particularly for younger people as evidenced by these three thirty-something year old winners."

First launched in September 1994, the base Win for Life game (first ever-successful \$2 instant product in New York) has generated over \$1.98 Billion in sales to-date. In October 1999, the Lottery launched Win \$2,000 a week for Life at the \$5 price point, again a first for New York. Win \$2,000 a week for Life has generated over \$463 Million in sales to-date. In September 2003, Set For Life was launched enabling players a chance to win \$5,000 a week for life. Todate, this game has produced over \$320 Million in sales. The three games combined have accounted for over \$2.79 Billion in sales and \$652 Million in Aid to Education revenue, making it the most successful instant game category in New York Lottery history. Currently, the 'Life' games account for over 13.3% of the New York Lottery record-breaking \$60 Million weekly sales. New York believes that the guaranteed minimum prize payout is a critical factor in the success of the life games as well as the **lifetime** annuity.



BELLAGIO HOTEL

1-800-493-0527 TO REGISTER FOR SMART-TECH 2005.

GOVERNMENT, LOTTERY, RACING, CASINO EXECUTIVES – NO CHARGE





SMART-TECH 2005 – Bellagio Hotel February 28 – March 3, 2005

CONFERENCE REGISTRATION FORM

Please fill out this form and fax back to 206-232-2564. Please mail original and payment to:

Public Gaming Research Institute, 218 Main Street, #203, Kirkland, WA 98033, or charge to American Express, MasterCard, or Visa (see below). Each Registration is \$895.00

Conference registration includes all events, cocktail parties, continental breakfasts, luncheons, exhibit hall, all conference seminars, off-site events.

THERE IS NO CHARGE FOR LOTTERY, GOVERNMENT, CASINO, RACING OR RACINO EXECUTIVES *

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Please charge to my credit card	Please invoice me
Payment is accepted by American Expr	ess, MasterCard or Visa credit cards.
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Signature:	Date:
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