



SMARTPLAY INTERNATIONAL, INC.

QUARTERLY UPDATE

SPRING/SUMMER 2005

MEGA MILLIONS® GOES HOLLYWOOD

In 1996, the Criterion lotto model was chosen to launch THE BIG GAME®. Renamed Mega Millions in 02, the multi-state game has seen membership double from six charter member states (Georgia, Illinois, Maryland, Massachusetts, Michigan and Virginia) to twelve.

The game has enjoyed steady growth from its inception, with a second weekly draw added in 98. A year later, as New Jersey became a member, the game matrix was increased and a "cash payout option was introduced. In 2000, the game drew international attention with a 363 million dollar jackpot, the largest in North American history.

With the name change in 02, New York, Ohio and Washington joined up, and the game matrix and prize payouts were revamped for more player excitement. That year, New York Lottery commissioned a redesign of the classic Criterion lotto model which performs the Mega Millions drawing; the model is now named Criterion II. New York is setting sales trends as well. Per the lottery web site, <http://www.nylottery.org>, Mega Millions sales in the Empire State constitute an average of 22.3 percent of total Mega Millions sales.

In December 03, Texas became the eleventh member of Mega Millions. Recently, California Lottery has become the twelfth. Reportedly, California spent over a year researching multi-state games before deciding to join Mega Millions. Much consideration also went into physical



Drawing Manager Jeff Aills approves Criterion II™ for California's MegaMillions drawing, at Smartplay.

preparation for their first Mega Millions drawing in Hollywood, including acquisition of Smartplay's Criterion II.

Since 96, the Criterion (in one form or another) has been used to conduct BIG GAME/Mega Millions drawings around the country. The original Criterion model has long served Mega Millions draws conducted by Georgia Lottery Corporation (GLC). GLC has recently contracted with Smartplay to supply the updated Criterion II.

Over twelve years in business, Smartplay has provided product and service to every one of the twelve Mega Millions member states. The firm is pleased and proud to continue its support of Mega Millions.

OHIO REVAMPS LOTTERY DRAWING

Long time client Ohio Lottery Commission recently contracted with Smartplay to provide new single digit and lotto equipment. The popular air mix Multipick™ model will serve Pick 3 and Pick 4. The Multipick units will be equipped with Smartplay's compact wining ball display, which channels the balls into a tight row for the ideal camera shot.

Smartplay's Magnum gravity pick/rubber ball model will serve the lottery's upcoming Lot 'O Play game, which boasts a minimum jackpot of \$1,000,000. This unit is being customized with a removable ball preview rack, to enable use of either a 50 or 100-ball rack.



Dennis Poltrone, Drawing Manager, Ohio Lottery Commission poses with the new "Pick 4" machine, during an inspection visit at Smartplay.

COMSET SELECTS SATURN™ FOR PAKISTAN'S HERO CARD

Smartplay has supplied its Saturn model to Comset Services International (CSI) for its online "Hero Card" 6/49 drawing. Players having picked three to six of the winning numbers collect prizes.

Described as a 6/49 collector's scheme, the new concept is a project of the Pakistan Sports Trust. Frank Rose, CEO of CSI: "The revenue from the Hero Card will be used by a national sports body for the development of sports and culture. We also firmly believe that this card with a 'play and



win' concept will be of great interest to other countries in this region (see: 222.comsetservices.ae)."

Significantly, the Hero Card was developed by CSI to be legally and culturally acceptable in Pakistan, as well as other Islamic countries. The operating concept offers highest fiscal and customer benefits and is specially adapted in the same way the Islamic banking model adapts state of the art banking requirements in an acceptable manner.

The online system supporting Hero card was supplied by EssNet of Sweden. EssNet's ELOS system includes a network of 2,000 terminals which may increase to 20,000 in the next few years.

Hero Card's colorful live drawing is performed weekly. To suit the sports theme, Smartplay supplied an equipment package including custom drawing balls printed with tennis balls, footballs and basketballs.

SMARTPLAY BOLSTERS ORIGIN™ WITH GBS AND OVS

At NASPL 03, Smartplay introduced the Origin digital drawing system. Two years later, the firm has prevailed in every domestic bid





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opportunity; the system now serves Arizona, New Mexico and Washington State.

As interest in the Origin system continues to grow, Smartplay is proud to announce the acquisition of Green Bridge Station Technologies (GBS) of Aston, Pennsylvania, www.gbs.com. Per Smartplay president, David Michaud "The acquisition of GBS will greatly enhance Smartplay's ability to continually develop and support the Origin system, in step with the market's expanding interest."



Origin Digital Draw System now serves AZ, NM, WA



GBS President, Paul Maguire

Joining the executive staff of Smartplay is GBS president, Mr. Paul Maguire, who actively consulted on the development of the Origin system. Mr. Maguire, who founded GBS in 1996, holds the following degrees: BS Math, BS Computer Science Albright College, MS Computer Science Worcester Polytechnic

Institute. An expert in software design and programming, Maguire has developed a team of technology specialists at GBS to provide the highest quality custom software, websites, networking solutions, and support services.

Smartplay also announces the availability of the Origin Video Server (OVS), an add-on to the Origin digital draw system. The OVS is a stand-alone computer, located at a television

station. Loaded with the same animation library as the primary system located at lottery headquarters, the OVS enables lottery officials to conduct and distribute drawings from the Origin system's console. All drawings are played simultaneously on all connected servers.

Smartplay looks forward to demonstrating the Origin and the new OVS PATENT PENDING at the NASPL conference in Minneapolis, September 14-16. Please visit Smartplay at booth 9, to see how the OVS can eliminate your need for costly fiber optic or satellite uplinks.

☆☆☆☆ **Inside Smartplay** ☆☆☆☆

STELLA KEEPS SHARP EYE ON THE BALL

Smartplay is proud to employ a well rounded staff of dedicated lottery career people. Most of the full time, permanent employees (currently 14) have been serving the highly specialized drawing machine industry for more than ten years. All fabrication of Smartplay drawing machines is performed in house by Smartplay employees – no subcontracting.



Supervisor Nino Stella inspects the drawing balls prior to second coat of paint.

When it comes to the drawing balls, the control is as stringent. This iconic product constitutes approximately 11% of Smartplay's annual sales revenue, and is undoubtedly the most highly scrutinized aspect of the business.

Production is supervised by Nino Stella, who has been with Smartplay since the company opening in 1993. Mr. Stella supervises surface preparation, painting, printing, calibration and packing. With an artful eye and an exacting hand, Stella is also instrumental in the development of custom images such as the Hero Card sports balls (photos pg. 2).

While the balls may be printed with whimsical images such as Jack 'O Lanterns or wild animals, Mr. Stella can't take it lightly. He must adhere to unforgiving weight and diameter tolerances and many a short deadline. After twelve years of diligent service at Smartplay, it's most appropriate to give this man named Stella a gold star.



CONTRACT ANNOUNCEMENTS

FALL 2005

Lottery Dynamics, Argentina
SuperBingo

Technojuegos, Bolivia
Saturn

Beijing Welfare Lottery, China
Saturn

Playwin, India
Gem

Pan Malaysian Pools
Standard Daily

Comset Services International, Pakistan
Saturn

Trinidad and Tobago
National Lottery Controls Board
Multipick

USA
Georgia Lottery Corp.
Criterion II

Ohio Lottery
Magnum, Multipick

Smartplay International
One Linda Lane
Southampton, NJ 08088 USA

