

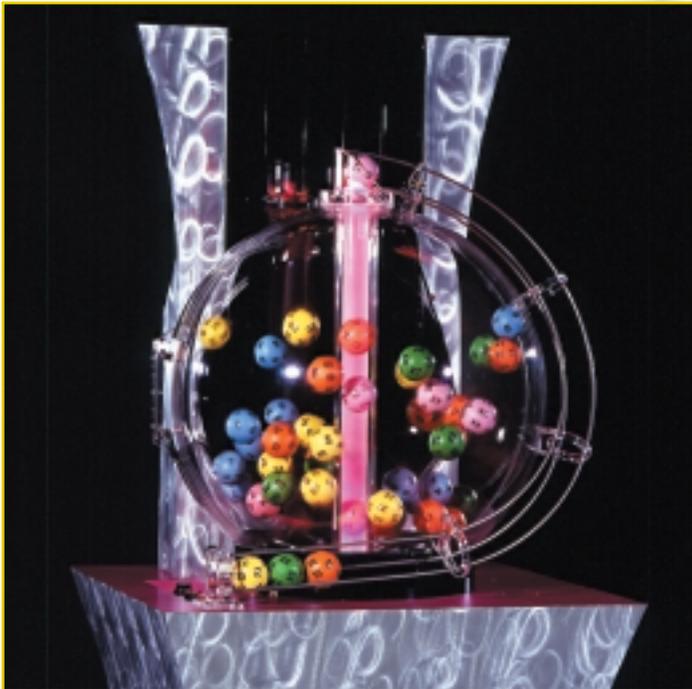
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SMARTPLAY INTERNATIONAL, INC.

QUARTERLY UPDATE

SEPTEMBER 2000

ARCHITECTURAL SERIES™ SHEDS LIGHT ON WINNING NUMBERS



*Halogen® Winning balls rise on a shaft of light.
The shaft color is easily changed with a cartridge.*

The light-hearted, amusing spirit of Thunderball brightened Smartplay's winter of '99. The firm was selected by the National Lottery, UK to create drawing machines evocative of their upcoming game's character.

In keeping with the fanciful essence of Thunderball, Smartplay's core objective was to present the winning numbers with excitement, drama and flair. Under the engineering leadership of President, David Michaud, a prototype evolved through various stages, before winning the sanction of manufacturer and client. In the end, the mission was brilliantly accomplished with the resultant Halogen®.

It is here that the real story begins. The Halogen®, engaging and strikingly different, has served as a catalyst for Smartplay's new Architectural Series™. Not for the timid, machines in this new class make a bold, modernistic statement. To meet 21st century expectations, refined craftsmanship and dramatic lighting effects are the hallmark of this new product line.

With its unique shaft of light, the Halogen® has made a sudden and substantial impact on the high-end drawing machine scene. During a splashy debut at Intertoto 99, the model was instantly purchased by National Postcode Lottery, Netherlands. A few months later, the Halogen® brought in 2000, as the centerpiece of New York Lottery's Times Square Millennium drawing.

By summer, the Halogen® was performing face-lifts for California Lottery's Super Lotto Plus, and MultiState Lottery's Power Ball. In the Caribbean, it was love at first sight for Aruba's Sorteo Diario. In Europe, National Lottery, Ireland has just placed an order. Good looking and reliable, the Halogen® is more than a passing fancy. Looks like love is here to stay.



MUSL's Exec. Dir., Chuck Strutt (left), and Drawing Manager, Sue Dooley (center), celebrate the arrival of the Halogens with Smartplay President, David Michaud (right).

REVOLUTION®, SECOND IN SERIES, GEORGIA FIRST TO CONTRACT

Inspired by the immediate success of the Halogen® and the architecture of Shanghai, the second model of Smartplay's Architectural Series™ was born. The



REVOLUTION®
Upon selection of the winning numbers, the base of the mixing chamber illuminates. The balls, drawn from the front of the chamber, are lowered on glowing pedestals for final display.

Revolution's distinctive columnar base supports overall great looks. Orchestrated lighting effects only add to the charm of this single digit model.

Shortly after its debut at the WLA conference in Glasgow, the Revolution® captured the attention of Georgia Lottery Corp. Never afraid to be first, GLC will replace their existing Gem® machines with the Revolution® in October. The trend setting GLC was also first to purchase Smartplay's Gem® model, to launch the lottery in '93.

SMARTPLAY FURTHERS ACTIVITY IN CHINA

Fall of 99 marked a boon in Smartplay's trade with China. V.P. Sales, Linda Turner traveled to Shanghai to present to Beijing based China Social Welfare Lottery Committee. Representatives from six provinces, including host organization, Shanghai Fengcai On-line Social Welfare Lottery Project Office welcomed her.



Chinese delegation assembles in Shanghai with Smartplay V.P. Sales, Linda Turner

Mr. Wang Shaoxian, Vice Secretary General, CSWLC, conducted an extensive review of Smartplay's product offerings. He also examined Smartplay's service record in Asia, including previous contracts with the Shanghai group. As a positive result, Smartplay was awarded contracts to provide lotto equipment to six provincial lotteries.

Enlisted by CSWLC to purchase on behalf of the provinces, the Shanghai group facilitated a bulk purchase of Smartplay's Saturn® model. Known for its cabinet with the artful swoop, the Saturn® was introduced in 94, by the former American firm, Beitel Lottery Products. Since purchasing manufacturing rights in January 97, Smartplay has seen the model's popularity climb.

Other recent Asian activity includes contracts with the new Construction Lottery, Hanoi and Singapore Turf Club. Smartplay also serves such esteemed firms as Malaysia's Sports Toto, Leisure Management Berhad, and Singapore Pools.

ISRAEL TO HOST 14TH ANNUAL EUROPEAN LOTTERY DRAW

The European Lottery Association (AELLE), based in Switzerland, actively promotes cooperative spirit between its members. To initiate the popular European Draw required not only cooperation, but the concentrated collaboration, diligence and determination of European lottery leaders. Practical issues such as dealing with diverse customs, currencies and national legislation, naturally demanded thoughtful consideration.



Oded Kalina, Technical Adviser of Mifal Hapayis (left) and Thomas Markert, Smartplay's Exec. V.P. pose with a Saturn, to be used in the European Draw.

The first European Lottery draw, held on October 8, 1988 in Madrid, is noteworthy in European

Lottery History. Europe has since enjoyed successful lottery draws, held throughout Europe. Drawing sites have included Lisbon, Brussels, Ankara, Genoa, Hilversum, Malta, Madrid, Cyprus and Naples.

As supplier to Mifal Hapayis of Israel, Smartplay is very pleased to play a supporting role in the upcoming 14th European lottery draw. Custom drawing balls and all related drawing equipment have been supplied by Smartplay. The much anticipated event will take place on October 14, 2000 in Jerusalem.

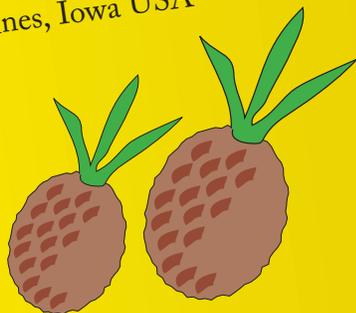
To learn more about the European Draw, visit the AELLE website: www.european-lotteries.org

International Café

"Scalloped Pineapple"

Contributed by Sue Dooley,
Drawing Manager, Multi-State Lottery Assn.
West Des Moines, Iowa USA

Mix thoroughly:
1 cup margarine
2 cups sugar
4 eggs



Add 1/4 cup milk
Cube 6 slices of fresh bread; fold in.
Add 1 #2 can crushed pineapple
Bake @ 350 degrees,
one hour.



■ SUPPLY SIDE ■

LUXEMBOURG/QLOT, RECEIVE 6 ON-LINE PROPOSALS

On August 11, Loterie Nationale, Luxembourg closed their tender for a new on-line system. The Lottery received six responses to its RFP prepared by the Swedish firm, QLot Consulting.

"We are proud and delighted at the overwhelming response to our RFP", says Leon Losch, Deputy Director of the Loterie Nationale. "We believe that 6 on-line proposals is among the best results experienced by any lottery in recent years, and that this reflects the quality and openness of our RFP. I am very pleased at the response so far, which is a direct result of the support provided by QLot."

Loterie Nationale requires a modern on-line system, multiple POS channels including Internet as well as traditional on-line retailer terminals. The Lottery will offer both on-line and instant ticket games within Luxembourg.

SCHAFER PROMOTES "PROMOTER" WITH SALE TO OHIO LOTTERY

Schafer Systems has introduced the "Promoter", a counter top instant ticket dispenser, available in various sizes. Paired with Schafer's new "Watchdog"™ system, the "Promoter", affords ticket accounting, timesaving reports and high level security. Continuously monitoring and recording ticket movement, the system can also connect and report to headquarter accounting systems. Citing simple operation, security and automation features, Schafer maintains that retailers will cut labor and realize savings through reduced errors.

Ohio Lottery's Merchandising Manager, Ron Fornaro, reports "The Promoter is stirring up some excitement here in Ohio. We are having great success getting these dispensers in our chain stores. The compact feature has helped

