

the Company's websites. A failure to respond rapidly to technological developments could have a material adverse effect on the Company's business, results of operations and financial condition.

Parlay Must Continue To Improve And Expand Its Skills And Personnel, But May Not Be Able To Do So

In order to expand its business operations, the Company must continue to improve and expand the expertise of its personnel and must attract, train and manage qualified senior executives and employees to oversee and manage its contemplated expanded operations.

There can be no assurance that Parlay will be able to manage effectively the expansion of its operations or that its current personnel, systems, procedures and controls will be adequate to support operations. Any failure of management to manage effectively the Company's growth could have a material adverse effect on Parlay's business, results of operations and financial condition.

Although management intends to ensure that its internal controls remain adequate to meet the demands of further growth, there can be no assurance that its systems, controls or personnel will be sufficient to meet these demands. Inadequacies in these areas could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company Has Limited Intellectual Property Protection And Competitors May Be Able To Appropriate Its Technology

Parlay regards its trade secrets and similar intellectual property as critical to its success. In that context, the Company will rely on a combination of copyright and trademark laws, trade secret protection, confidentiality and non-disclosure agreements and contractual provisions.

There is no guarantee that these efforts will be adequate that the Company will be able to secure its patent, trademark or other registrations for all of its marks in Canada or other countries or that third parties will not infringe upon or misappropriate its copyrights, trademarks, service marks and similar proprietary rights.

In addition, effective copyright and trademark protection may be unenforceable or limited in certain countries and the global nature of the Internet makes it impossible to control the ultimate jurisdiction of the Company's licensee websites. Since trademark and copyright protections are not "self-enforcing" future litigation may be necessary to enforce and protect Parlay's secrets, copyrights and other intellectual property rights.

Parlay may also be subject to litigation to defend against claims of infringement of the rights of others or to determine the scope and validity of the intellectual property rights of others. Such litigation could result in substantial costs. An adverse outcome could require the Company to cease using such intellectual property.

Further, licensees may appropriate or reverse engineer Parlay's Internet technologies and offer them for sale as a competitor. Any litigation regarding proprietary rights could be costly, unavailable or unenforceable, could divert management's attention and could result in the loss of

certain of the Company's proprietary rights and/or competitive advantage. As a violation of Parlay's proprietary rights could prevent the Company from selling its services, it may have a material adverse effect on Parlay's business, results of operations and financial condition.

Parlay's System Faces Online Security Risks

Parlay's networks and software technologies may be vulnerable to unauthorized access, computer viruses and other disruptive problems. A party that is able to circumvent security measures could misappropriate proprietary information and, perhaps at least as critically, cause interruptions in licensee operations or the operations of the Company.

Other software and Internet companies have in the past experienced, or may in the future experience, interruptions in service as a result of the accidental or intentional actions of Internet users, current and former employees or others. Parlay may be required to expend significant capital or other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches.

There can be no assurance that any measures implemented will not be circumvented in the future.

Eliminating computer viruses and alleviating other security problems may require interruptions, delays or cessation of service to clients accessing the licensee websites, which could have a material adverse effect on Company business, results of operations and financial condition.

Such security issues are Denial of Service Attacks ("DOS") and Trojan Horse attacks ("Trojan"). Parlay licensees have been subject to both types of attack in the past and the consequence has been an interruption of activity, which decreases Company revenues, and payments by licensees to the perpetrators which can have an adverse cash flow consequence on both Parlay's licensees and Parlay itself. The risk of DOS and Trojan attacks are licensee security concerns rather than Parlay security concerns.

The Company May Be Held Liable For The Content Of Websites

As a distributor of Internet enabling software, Parlay faces potential liability for negligence, copyright, patent, trademark infringement, defamation, disparagement and other claims based on the nature and content of the materials that it transmits. Such claims have been brought, and sometimes successfully pressed, against Internet content distributors.

The Company may not have the resources to secure adequate insurance to cover such potential claims of this type or such insurance if available may not be adequate to indemnify the Company for all liability that may be imposed. In addition, although Parlay generally requires its content providers to indemnify the Company for such liability, such indemnification may be inadequate or unenforceable.

Any imposition of liability that is not covered by insurance, is in excess of insurance coverage or is not covered by an indemnification by a content provider could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company May Be Subject To Product Liability Claims And It Lacks Product Liability Insurance

Parlay faces substantial risk of exposure to product liability claims in the event that the products it develops and licenses contain errors, "bugs" or defects. Parlay does not presently have product liability insurance and there can be no assurance that insurance coverage will be available in the future on commercially reasonable terms, or at all.

Further, there can be no assurance that such insurance, if obtained, would be adequate to cover potential product liability claims, or that a loss of insurance coverage or the assertion of a product liability claim or claims would not materially adversely affect the Company's business, financial condition and results of operations.

Parlay May Be Subject To Regulation Of Internet Gaming

Parlay and its licensees are subject to applicable laws in the jurisdictions in which they are located. As companies and consumers involved in Internet gaming are located around the globe, including the end-users of Parlay's systems, there is uncertainty regarding exactly which governments have jurisdiction or authority to regulate or legislate with respect to various aspects of the industry. The uncertainty surrounding the regulation of Internet gaming could have a material adverse effect on Parlay's business, revenues, operating results and financial condition.

In addition, legislation designed to restrict or prohibit Internet gaming, similar to or different from legislation introduced in the U.S., may be adopted in the future by other jurisdictions. Also, existing legislation around the world, including the U.S. and its individual state statutes, could be construed to prohibit or restrict gaming through the use of the Internet and there is a risk governmental authorities may view Parlay's systems or the Company as having violated such statutes.

There is a risk that criminal and civil proceedings could be initiated in such jurisdictions against Parlay's licensees or the Company and such proceedings could involve substantial litigation expense, penalties, fines, diversion of the attention of key executives, injunctions or other prohibitions being invoked against Parlay's licensees or the Company. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition.

In addition, as e-commerce develops further, it may generally be the subject of government regulation, either specifically addressed at on-line gaming or at other activities. Also, present laws that pre-date or are incompatible with Internet e-commerce may be enforced in a manner that restricts the e-commerce market. Any such developments could have a material adverse effect on Parlay's business, revenues, operating results and financial condition.

Parlay's Licensees May Withhold Payment Or Become Insolvent Without Legal Recourse

Parlay's licensees are constituted in jurisdictions where it may not be possible for Parlay to collect royalty or other income or enforce its license agreements effectively. Because licensees do not provide a performance bond, it is possible that some of the Company's licensees will become insolvent or judgment-proof. The uncertainty surrounding the collection of royalty

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payments or other amounts owed to the Company could have a material adverse effect on Parlay's business, revenues, operating results and financial condition.

Parlay Is At Risk Of Currency Fluctuations And Controls

The Company's costs are generally incurred in Canadian dollars while its revenues are generally received in pounds sterling and euros. Therefore, the Company's operating results may be affected by relative fluctuations in the exchange rates applicable to the currencies in which it transacts business. Currency exchange rates are determined by market factors beyond the Company's control, and may vary substantially during the course of a period. Further, the Company's ability to repatriate to Canada funds arising in connection with foreign licensees may be adversely affected by currency and exchange control regulations, money-laundering controls and other controls imposed by the country in which the Company's software is exploited.

Credit Card Companies May Limit Credit Card Use In Internet Gaming

Licensees' revenues from other than U.S. residents are generally collected through online credit card processing. Certain credit card companies, such as MasterCard, and certain credit card issuing banks in the U.S., have stopped processing transactions from online gaming customers. Such further action by credit card companies or issuers could have a material adverse effect on the Company's business, revenues, operating results and financial condition.

General e-Commerce Availability

As noted above, the Act restricts the ability of U.S. financial institutions to participate in the funding of e-commerce accounts curtailing the ultimate funding of on-line gaming transactions and, therefore, effectively prohibiting U.S. residents from participating in on-line gaming activities. If other countries or jurisdictions implement similar measures, which are effective, this could have a material adverse effect on the Company's business, revenues, operating results and financial condition. Further, although the e-commerce providers used by the Company's licensees are not directly targeted by the Act, should e-commerce providers generally decide to restrict their scope of business to exclude on-line gaming transactions, this could have a material adverse effect on the Company's business, revenues, operating results and financial condition.

Parlay May Face Pressure To Retain Licensees As They Diversify Their Supplier Risk

As part of their own risk management strategy, licensees may seek to limit their dependency on one supplier of software to ensure that should there be a failure of a software supplier, that the operational needs of the licensee can continue to be met. The use of more than one supplier would also assist licensees in making informed, competitive, assessments of one supplier compared to others. In addition, the significant level of recent consolidation in the industry has lead to prospective or present customers limiting the number of acceptable software providers. The Company may experience reduced growth opportunities as licensees look to other suppliers to provide software to run additional sites.

The Company May Be Unable To Maintain Present Commercial Terms With Existing And New Licensees

On occasion, the Company has been forced to introduce across the board reductions in licensee royalty rates as result of competitive pressures. Should these competitive pressures continue, there can be no assurance that the Company will not have to accommodate either licensee specific or across the board reductions in effective royalty rates. The Company believes that the competitive pressure is arising from competitors whose pricing model may be unsustainable in the long run. Parlay faces intense price-based competition for licensing of its products. Price competition is often intense in the software market, especially for internet gaming software providers. Many of Parlay's competitors have reduced the price of their products. Price competition may continue to increase and become even more significant in the future, resulting in reduced profit margins.

The Company Has Had Difficulty In Obtaining Sufficient Directors And Officers' Insurance Coverage

In common with many small-cap companies, the Company has experienced increasing premiums for Directors' and Officers' Insurance Coverage. The Company operated without such insurance coverage from January 2004 through January 2006. The present coverage in place provides for a limit on liability to the carrier of \$1,000,000 Cdn. The absence of sufficient directors' and officers' insurance coverage may make it more difficult to attract and retain qualified individuals to act as directors and officers for the Company.

DIVIDENDS

Since incorporation, the Company has not paid any dividends on the Common Shares. Dividends on the Common Shares will be paid solely at the discretion of the Board of Directors after taking into account the financial condition of the Company and the economic environment in which it operates. No dividends are expected to be paid in the foreseeable future.

DESCRIPTION OF SHARE CAPITAL

General Description of Share Capital

Parlay is authorized to issue an unlimited number of Common Shares. As at April 19, 2010, 12,649,265 Common Shares are issued and outstanding as fully paid and non assessable. In addition, 2,446,353 Common Shares are reserved for options to be granted to directors, officers, employees and consultants of Parlay. These Common Shares are reserved under the terms of Parlay's Stock Option Plan which was approved by the Company's disinterested shareholders at the Annual General Meeting held on June 24, 2009. At April 19, 2010, there are 1,225,000 options to purchase Common Shares outstanding.

Characteristics of Common Shares

The holders of Common Shares are entitled to dividends as and when declared by the Board of Directors; to one vote per share at meetings of shareholders; and, upon liquidation, to receive

such assets of the Company as are distributable to the holders of the Common Shares and also to the rights, privileges and restrictions normally attached to Common Shares.

MARKET FOR SECURITIES

Price Range and Volume of Trading of Common Shares

The following table sets forth the reported high, low and close sales prices and the average daily trading volumes for the Common Shares as quoted on the TSX Venture Exchange, in Canadian dollars, as reported by sources the Company believes to be reliable for the fiscal year ended December 31, 2009.

		Price Range			Average Trading Volume
		High	Low	Close	
2009	January	0.55	0.42	0.42	11,000
	February	0.55	0.25	0.32	2,500
	March	0.48	0.35	0.40	8,000
	April	0.50	0.35	0.50	8,000
	May	0.55	0.36	0.36	1,000
	June	0.50	0.36	0.50	3,000
	July	0.50	0.34	0.34	2,000
	August	0.43	0.34	0.37	2,000
	September	0.42	0.30	0.32	8,000
	October	0.33	0.27	0.32	5,000
	November	0.39	0.31	0.36	1,000
	December	0.32	0.24	0.28	11,000

DIRECTORS AND OFFICERS

The following table sets out the names and province/state and country of residence of the directors and executive officers of the Company as at December 31, 2009, their position and offices with the Company, their principal occupations for the preceding five years and the periods during which they have served as directors or officers of the Company. The term of office of each director will expire at the end of the next annual meeting of the shareholders of Parlay.

Name, Province/State and County of Residence and Position with Company	Principal Occupation During the Last 5 Years	Director Since
Anthony D. De Werth ^{(1), (2)} Chairman and Director Ontario, Canada	Retired since 1995. Prior thereto, Chairman and CEO of CIBC Wood Gundy Private Client Investments Inc.	December 2002
Brian W. Barr ^{(1), (2)} Director Ontario, Canada	President & CEO Medpro-Direct. Prior thereto, President and CEO of Brian W. Barr Holdings Ltd. (1982-Present)	October 2005
Scott F. White ⁽¹⁾ Chief Executive Officer and Director Ontario, Canada	Chief Executive Officer of the Company. Prior thereto, partner with Bush Frankel White Barristers & Solicitors (1992-2003).	February 1999
Perry N. Malone President and Chief Technology Officer and Director Ontario, Canada	President and Chief Technology Officer of the Company.	February 1999
David Callander Chief Financial Officer Ontario, Canada	CFO. Prior thereto, partner with Ernst & Young LLP (1991-2001).	n/a

Notes:

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee and Compliance Committee.

As of April 19, 2010, the directors and officers of the Company, as a group, owned directly or indirectly 3,474,998 Common Shares or approximately 28% of the issued and outstanding Common Shares. The information as to ownership of Common Shares has been furnished by the respective directors and officers of the Company individually.

LEGAL PROCEEDINGS

Given the nature of the business environment in which we operate, other parties have from time to time threatened to issue legal proceedings against the Company based on alleged infringement of intellectual property rights. There can be no assurance that such threats would never materialize into actual litigation or that the Company would prevail in such litigation. An adverse determination in litigation proceedings could subject the Company to significant liabilities to third parties. Although intellectual property disputes are often settled through licensing or similar arrangements, the costs associated with such arrangements could be of a significant nature.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities to materially affect the control of the Company:

- (a) is, as of the date hereof or has been, within the ten years before the date of this Annual Information Form, a director or executive officer of any company, that while that person was acting in that capacity;
- (i) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
 - (ii) was subject to an event that resulted after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than thirty consecutive days; or
 - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the creditor, officer or shareholder.

ESCROWED SECURITIES

Upon listing of the Company's Common Shares on the TSX Venture Exchange, certain Common Shares (the "**Escrowed Shares**") and Common Share options (the "**Escrowed Options**") held by the officers and directors of Parlay were required to be held pursuant to the terms and conditions of a value escrow agreement. The escrow agreements were made effective the 31st day of May, 2005 between Equity Transfer Services Inc., as escrow agent, the Company and the officers and directors noted in the table below (the "**Escrow Agreements**"). Under the terms of the Escrow Agreements, the Escrowed Shares and the Escrowed Options were all fully released by December 16, 2006. Accordingly, at December 31, 2009 there are no Escrowed Shares or Escrowed Options remaining.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The management of the Company is not aware of any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect Parlay of (i) any director or executive officer of the Company, (ii) any person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of the outstanding Common Shares or (iii) an associate or affiliate of any of the persons or companies referred to in (i) or (ii).

CONFLICTS OF INTEREST

Additionally, from time to time there may be potential conflicts of interest that arise for some of the directors and officers of the Company. Such conflicts, if they arise, will be subject to the requirements of the OBCA.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Equity Transfer & Trust Company of Toronto, Ontario.

MATERIAL CONTRACTS

There are no contracts, other than contracts entered into in the ordinary course of business, that are material to the Company.

AUDIT COMMITTEE

Audit Committee Charter

The Audit Committee Charter is attached hereto as Schedule "A"

Composition of the Audit Committee

The Audit Committee is comprised of Mr. Anthony D. De Werth, Chair, and Messrs. Barr and White. All members are financially literate and Messrs. De Werth and Barr are independent members of the Audit Committee. "Financial literacy" is defined as the ability to read and understand basic financial statements and all members of the Audit Committee have accounting or related financial management expertise.

Reliance on Certain Exemptions

During the year ended December 31, 2009 no reliance was placed on any exemptions.

Pre-Approval Policies And Procedures

The Audit Committee has established a policy for the engagement of non-audit services that all non-audit services require approval by the Audit Committee.

External Auditor Service Fees

The following table sets out the fees billed by the Company's external auditors during years ended December 31, 2009 and 2008.

Description of Fees	Year ended December 31, 2009	Year ended December 31, 2008
Audit Fees	\$72,900	\$72,000
Audit Related Fees	NIL	NIL
Tax Fees	NIL	2,500
All Other Fees	NIL	NIL

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and options authorized for issuance under equity compensation plans, if applicable, is contained in the Company's Information Circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is also provided in the Company's audited financial statements and management's discussion and analysis for its most recently completed financial year. Additional information relating to the Company may be found on SEDAR at www.sedar.com.

SCHEDULE "A"

AUDIT COMMITTEE CHARTER

The Board of Directors of Parlay Entertainment Inc. (the "**Company**") has adopted this Charter to govern the operations of the Audit Committee (the "**Committee**") of the Company's Board of Directors. The Committee shall review and reassess the Charter at least annually (at the meeting to be held pursuant to the end of the Company's second fiscal quarter). It shall report the findings of such review and reassessment to the Company's Board of Directors at least annually (at the Board meeting following such review). At such time, the Board of Directors will determine if any modifications to this Charter are required. The Board acknowledges the need to provide the Committee with sufficient funding to permit the engaging of the independent auditors or any other independent counsel or advisors that the Committee may choose to retain.

Organization of the Audit Committee

The Committee shall be appointed by the Board of Directors annually and shall comprise at least three directors, a majority of whom shall be independent of management and the Company. Members of the Committee shall be considered independent if they have no relationship with management or the Company that may interfere with the exercise of their independence. A quorum shall be a minimum of two members. No business may be transacted unless a quorum is present. All Committee members shall be financially literate. The Company's Board of Directors shall appoint one of the members as Chairperson of the Committee annually. The Committee shall review their compliance with these independence requirements annually (at the meeting to be held pursuant to the end of the Company's third fiscal quarter).

Statement of Policy

The Audit Committee shall provide assistance to the Board of Directors in fulfilling their oversight responsibility to the shareholders relating to the Company's consolidated financial statements and financial reporting process, including both annual and interim reporting; the systems of internal accounting and financial controls; the annual independent audit of the Company's consolidated financial statements; and any other duties imposed by or advisable in connection with compliance under applicable listing standards. In so doing, it is the responsibility of the Committee to maintain free and open communication among the Committee, the independent auditors and management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain outside counsel or other experts for this purpose.

Responsibilities and Processes

The primary responsibility of the Committee is to oversee the Company's annual and interim financial reporting process on behalf of the Board and report the results of its activities to the Board. Management is responsible for preparing the Company's consolidated financial statements and the independent auditors are responsible for auditing those financial statements. The Committee, in discharging its responsibilities, believes its policies and procedures should remain flexible in order to best react to changing conditions and circumstances.

The following shall be the principal recurring processes of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

- The Committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board and the Audit Committee, as representatives of the Company's shareholders. The Committee shall have the ultimate authority and responsibility to evaluate and, where appropriate, recommend the replacement of the independent auditors by the Board of Directors. The Committee shall discuss with the auditors their independence from management and the Company. The Committee shall discuss any disclosed relationships between the auditors and the Company and the impact of such relationships on the auditors' independence. The Committee shall review and approve the Compensation of the independent auditors. The Committee shall recommend to the Board any appropriate actions or procedures to oversee the independence of the auditors.
- Annually (at the meeting held pursuant to the end of the Company's fourth fiscal quarter), the Committee shall review and recommend to the Board the selection of the Company's independent auditors, such selection subject to approval by the Board of Directors.
- The Committee shall discuss with the independent auditors the overall scope and plans for their audit, including the adequacy of staffing and compensation, and shall review the independent auditors annual engagement letter (at the meeting to be held pursuant to the Company's third fiscal quarter). Also, at each meeting the Committee shall discuss with management and the independent auditors the adequacy and effectiveness of the Company's accounting and financial controls, including systems to monitor and manage business risk as well as legal and ethical compliance programs. Annually, the Committee shall review the independent auditors' letter on internal controls and other reporting matters (at the meeting held pursuant to the end of the Company's first fiscal quarter).
- The Committee shall review the interim consolidated financial statements with management and the independent auditors prior to the filing of the Company's interim financial reporting. Further, at each meeting of the Committee, if appropriate and at the call of the chair and/or the independent auditors, the Committee shall meet separately with the independent auditors, without management present, to discuss relevant matters.
- The Committee shall review with management and the independent auditors the consolidated financial statements of the Company (or any annual report to shareholders), including the independent auditors' judgment about the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the consolidated financial statements. Also, the Committee shall discuss the results of the annual external audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards (at the meeting to be held pursuant to the Company's fourth fiscal quarter).
- The Committee shall prepare the report required to be included in the proxy statement used in connection with any annual meeting of the Company's shareholders. The

Committee shall review any annual report prior to its distribution to the shareholders. The Committee shall disclose annually whether or not its complement includes a financial expert and if not, why not. The Committee shall further review the annual internal control report prepared by management which states the responsibility of management in establishing and maintaining a system of internal control and which contains an assessment as to the effectiveness of the internal control structure. The Committee shall review this report with the auditors annually (at the meeting to be held pursuant to the Company's fourth fiscal quarter) and the auditors' report thereon.

- The Committee shall establish procedures to receive and respond to employee and others' complaints and concerns regarding the Company's accounting and auditing matters. Such procedures shall be reviewed annually and an annual report of any such complaints and concerns shall be reviewed by the Committee (at the meeting to be held pursuant to the end of the Company's fourth fiscal quarter).
- The Committee shall require the Chief Financial Officer to report on the adoption of a code of ethics for the Company's finance function and report annually on compliance with that code of ethics (at the meeting to be held pursuant to the end of the Company's fourth fiscal quarter).
- The Committee shall request an annual report on a review of the expense reports of senior management and their compliance with the Company's Policies and Procedures manual (at the meeting to be held pursuant to the end of the Company's third fiscal quarter).
- In order to fulfill its obligations hereunder, the Committee shall meet as often as it deems necessary. However, the Committee shall meet a minimum of four times a year. Such meetings may be conducted in person or via telephonic conferencing equipment. The Committee shall maintain written minutes of all meetings or, alternatively, report the results of its meetings at meetings of the full Board of Directors with such report to be reflected in the minutes of meetings of the full Board. The independent auditors shall be given notice of every meeting of the Committee. The independent auditors shall have the right to attend all meetings of the Committee. The independent auditors shall have the right to call meetings through liaison with the Chair. Between meetings, the Chair of the Committee may exercise any power delegated by the Committee.

Scope of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's consolidated financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

APPENDIX B. BIDDING PROCEDURES

Parlay Entertainment Inc. - Bidding Procedures

Set forth below are the bidding procedures (the "**Bidding Procedures**") to be employed with respect to the sale (the "**Sale Process**") for the assets, property and undertakings (the "**Purchased Assets**") of Parlay Entertainment Inc. ("**Parlay**") by BDO Canada Limited in its capacity as proposal trustee ("**BDO**" or the "**Proposal Trustee**") of Parlay.

On May 4, 2011, Parlay filed a notice of intention to make a proposal pursuant to the *Bankruptcy and Insolvency Act* ("**BIA**") naming BDO as the Proposal Trustee.

By order dated May 9, 2011, the Honourable Mr. Justice Cumming approved, *inter alia*, (a) a debtor-in-possession credit facility entered into on April 25, 2011 (the "**DIP Facility**") by Parlay and M Projects Assets S.A. (the "**DIP Lender**" or the "**Stalking Horse Bidder**"); (b) a second ranking charge against the property of Parlay in the amount of \$500,000 to secure the DIP Facility; and (c) a first ranking charge against the property of Parlay in the amount of \$200,000 to secure payment of professional fees (the "**Administration Charge**").

By order dated June 3, 2011, the Honourable Mr. Justice Morawetz issued an order approving and accepting, *inter alia*, (a) these bidding procedures (the "**Bidding Procedures**") for the purpose of conducting the stalking horse sales process; (b) the asset purchase agreement dated May 30, 2011 (the "**Stalking Horse Asset Purchase Agreement**" or "**Stalking Horse Bid**") between Parlay, the Proposal Trustee, and the Stalking Horse Bidder; and (c) the payment of the Break-Up Fee and the Expense Reimbursement (as each such term is defined in the Stalking Horse Asset Purchase Agreement) by the Proposal Trustee to the Stalking Horse Bidder in accordance with the provisions of the Stalking Horse Asset Purchase Agreement.¹ All amounts specified herein are in Canadian dollars.

Within five (5) business days following the Auction (defined below), Parlay shall, with the assistance of the Proposal Trustee, bring a motion (the "**Sale Approval Motion**") seeking the granting of an order by the Court authorizing and approving the sale of the Purchased Assets to the Successful Bidder(s) (as defined below) (such order, as approved, the "**Approval and Vesting Order**").

Assets to be Sold

With the assistance of the Proposal Trustee, Parlay is offering for sale all of the company's right, title and interest in, and to, all the Purchased Assets and is encouraging bids for all the Purchased Assets, in whole but not in part.

¹ The Stalking Horse Asset Purchase Agreement is attached as Appendix "E" to the Proposal Trustee's Second Report dated May 27, 2011 (the "**Second Report**") in support of Parlay's motion returnable June 3, 2011 (the "**June 2011 Motion Record**"). All capitalized terms not otherwise defined herein, shall have the respective meanings ascribed to them in the Stalking Horse Asset Purchase Agreement. A copy of the Second Report and the June 2011 Motion Record is available on the Proposal Trustee's website at www.bdo.ca/extranets/parlayentertainment

The Bidding Process

The Proposal Trustee shall undertake the following with the assistance of Parlay:

- (i) identify and approach potential purchasers for the purpose of marketing the Purchased Assets with the assistance of Parlay;
- (ii) prepare a confidential information memorandum (“CIM”) with the assistance of Parlay to be distributed to those prospective purchasers;
- (iii) set up and manage an electronic data room;
- (iv) distribute the CIM to those prospective purchasers who execute a confidentiality agreement (in a form satisfactory to Parlay);
- (v) determine whether any person is a Qualified Bidder (as defined below);
- (vi) coordinate the efforts of Qualified Bidders in conducting their due diligence investigations;
- (vii) receive offers from Qualified Bidders; and
- (viii) negotiate any offers made to purchase the Purchased Assets on behalf of Parlay.

(collectively, the “**Bidding Process**”).

The Proposal Trustee shall have the right to adopt such other rules for the Bidding Process (including rules that may depart from those set forth herein) that will better promote the goals of the Bidding Process, *provided, however*, that such other rules are not inconsistent with any of (i) the provisions of the Stalking Horse Asset Purchase Agreement (including the deadlines therein), (ii) the Bid Deposit Requirement (as defined below), (iii) the Break-Up Fee and Expense Reimbursement requirement (each as defined below), and (iv) the bid protections granted to the Stalking Horse Bidder herein.

Participation Requirements

A “**Qualified Bidder**” is a potential bidder that the Proposal Trustee determines is likely (based on the experience of and considerations deemed relevant by the Proposal Trustee such as the reputation of the bidder, financial information submitted by the bidder, etc.) to be able to consummate a sale if selected as the Successful Bidder (as defined below). Notwithstanding the foregoing, the Stalking Horse Bidder shall be deemed a Qualified Bidder.

Due Diligence

Any Person that wishes to participate in the Bidding Process must (i) execute a confidentiality agreement (the “**Confidentiality Agreement**”) attached as **Appendix “1”**; and (ii) be a Qualified Bidder. Qualified Bidders who have executed the Confidential Agreement will be

able to conduct phase one due diligence.

The Proposal Trustee shall determine, in its sole discretion, which Qualified Bidders shall be afforded with access to additional confidential information to complete their due diligence.

The Proposal Trustee shall not be obligated to furnish information of any kind whatsoever to any Person that the Proposal Trustee determines not to be a Qualified Bidder. The Proposal Trustee will afford any Qualified Bidder the time and opportunity to conduct reasonable due diligence subject to the time frames contemplated by these Bidding Procedures. The Proposal Trustee will designate a representative to coordinate all reasonable requests for additional information and due diligence access from such Qualified Bidders.

Bid Deadline

A Qualified Bidder that desires to make a bid shall deliver written copies of its bid and the Required Bid Materials (defined below) to the Proposal Trustee c/o BDO Canada Limited 123 Front Street, Suite 1200, Toronto Ontario M5J 2M2, Attention: Blair Davidson not later than 5:00 p.m. (prevailing Eastern time) on July 18, 2011 (the "**Bid Deadline**"). In the event that a bid is determined to be a Qualified Bid, the Proposal Trustee shall deliver a written copy of any such Qualified Bid and the Required Bid Materials to the Stalking Horse Bidder's counsel, Attention: David Cohen, Gowlings LLP, 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario M5X 1G5.

Bid Requirements

All bids (other than the Stalking Horse Bid) must include (unless such requirement is waived by the Proposal Trustee) (the "**Required Bid Materials**"):

1. A purchase price equal to, or greater than, \$2,031,322 (the "**Minimum Bid Amount**")², if the bid is for substantially all of Parlay's assets;
2. A letter stating that the bidder's offer is irrevocable until the first business day after the Purchased Assets have been sold pursuant to the closing of the sale or sales thereof approved by the Court;
3. An executed copy of a proposed purchase agreement and a redline of the Qualified Bidder's proposed purchase agreement reflecting variations from the Stalking Horse Asset Purchase Agreement (the "**Marked Agreement**"). All Qualified Bids must provide: (a) a commitment to close within two (2) business days after satisfaction of all conditions and a covenant to use commercial best efforts to satisfy all conditions; and (b) the identity of and contact information for the bidder and full disclosure of any affiliates and any debt or equity financing sources involved in such bid;
4. A cash deposit in the amount of \$100,000 in the form of a wire transfer,

² Which is the sum of the Stalking Horse Bid, the Break-Up Fee, the maximum amount of the Expense Reimbursement and the Overbid Amount.

certified cheque or such other form acceptable to the Proposal Trustee (the “**Bid Deposit**”), which shall be placed in an escrow account (the “**Escrow Account**”). The Escrow Account shall not be subject to any Liens whatsoever of Parlay’s creditors or otherwise, and funds shall be disbursed from the Escrow Account only as follows: (i) if the Qualified Bidder is the Successful Bidder at the Auction, its Bid Deposit will be applied to the purchase price payable by it under its bid on the closing thereof, and (ii) if the Qualified Bidder is not the Successful Bidder at the Auction, then its Bid Deposit shall be returned to it (subject to the other provisions of these Bidding Procedures and the terms of its purchase agreement);

5. A representation of the bidder and written evidence that the bidder has a commitment for financing or other evidence of the proposed purchaser's ability to consummate the proposed transaction, including executed copies of any financing agreements, commitments, guarantees of the payment obligations of the proposed purchaser, and which the Proposal Trustee believes to be sufficient to satisfy the bidder's obligations under its proposed bid, including to consummate the transaction contemplated by the proposed purchase agreement submitted by it as provided above;
6. The bid shall identify with particularity those executory contracts and unexpired leases of Parlay with respect to which the bidder seeks to receive an assignment;
7. The bid shall not request or entitle the bidder to any transaction or break-up fee, expense reimbursement, termination or similar type of fee or payment and shall include an acknowledgement and representation of the bidder that it has had an opportunity to conduct any and all due diligence regarding the Purchased Assets prior to making its offer, that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Purchased Assets in making its bid, and that it did not rely upon any written or oral statements, representations, warranties, or guarantees, express, implied, statutory or otherwise, regarding the Purchased Assets, the financial performance of the Purchased Assets or the physical condition of the Purchased Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures or the Stalking Horse Asset Purchase Agreement;
8. The bid shall not contain any due diligence, financing or regulatory conditions of any kind other than those contained in the Stalking Horse Asset Purchase Agreement, though the bid may be subject to the satisfaction of other specific conditions in all material respects at Closing.
9. The bid shall fully disclose the identity of each entity that will be bidding for the Purchased Assets or otherwise participating in connection with such bid, and the complete terms of any such participation;

10. The bid shall state that the offering party consents to the jurisdiction of the Court;
11. The bid shall include evidence of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the proposed purchase agreement of the bidder;
12. The bid shall state that the offering party has not acted, and will not act, in collusion with any other Person in connection with its bid; and
13. The bid shall identify with particularity any liabilities being assumed.

A bid received from a Qualified Bidder that includes all of the Required Bid Materials and is received by the Bid Deadline is a "Qualified Bid". The Proposal Trustee reserves the right to determine the value of any Qualified Bid, and which Qualified Bid constitutes the best offer (the "Lead Bid"). Forthwith after the Bid Deadline, the Proposal Trustee shall determine which Qualified Bid shall be the Lead Bid for the purposes of the Auction. A copy of the Lead Bid will be provided to all Qualified Bidders prior to the Auction Date.

Notwithstanding the bid requirements detailed above, the Stalking Horse Bid shall be deemed a Qualified Bid.

Credit Bidding

Notwithstanding anything herein to the contrary and as set out in the Stalking Horse Asset Purchase Agreement, the Stalking Horse Bidder who is also the DIP Lender shall be entitled to credit bid. The DIP Lender shall be entitled to apply a credit in the aggregate amount of \$500,000 against Parlay's indebtedness pursuant to the DIP Facility.

In the event that the DIP Facility is not fully extended to Parlay by the Bid Deadline, the DIP Lender shall be entitled to advance an amount of cash equal to \$500,000 less the amount advanced pursuant to the DIP Facility.

"As Is, Where Is, With All Faults"

The sale of the Purchased Assets shall be on an "as is", "where is" and "with all faults" basis and without representations, warranties, or guarantees, express, implied or statutory, written or oral, of any kind, nature, or description by the Proposal Trustee or Parlay or their respective agents, representatives or estates, or any of the other parties participating in the sales process pursuant to these Bid Procedures, except as may otherwise be provided in a definitive purchase agreement with the Proposal Trustee on behalf of Parlay. By submitting a bid, each Qualified Bidder shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Purchased Assets prior to making its bid, that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Purchased Assets in making its bid, and that it did not rely upon any written or oral statements, representations, warranties, or guarantees, express, implied, statutory or otherwise, regarding the Purchased Assets, the financial performance of the Purchased Assets or the physical condition or

location of the Purchased Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures or as set forth in a definitive purchase agreement with Parlay. This section shall not merge on closing and is deemed incorporated by reference in all closing documents and deliveries.

Free of Any and All Liens

Except as otherwise provided in the Stalking Horse Asset Purchase Agreement or another Successful Bidder's purchase agreement, and subject to any Permitted Liens which may be defined in the Approval and Vesting Order all of Parlay's right, title and interest in and to the Purchased Assets subject thereto shall be sold free and clear of all Liens other than Permitted Liens pursuant to the Approval and Vesting Order.

The Auction and Auction Procedures

If a Qualified Bid (other than that submitted by the Stalking Horse Bidder) or Qualified Bids which, in either case, in the aggregate provide for consideration of not less than the Minimum Bid Amount, have been received by the Proposal Trustee on or before the Bid Deadline, the Proposal Trustee shall conduct an auction (the "Auction") with respect to all of the Purchased Assets, with the Lead Bid as the starting bid for the Auction.

The Auction shall be conducted at the offices of the Proposal Trustee, 123 Front Street, Suite 1200, Toronto Ontario M5J 2M2 (the "Auction Site") at 11:00 a.m. (prevailing Eastern time) on July 25, 2011 (the "Auction Date"), or such other place and time as the Proposal Trustee shall notify all Qualified Bidders who have submitted Qualified Bids and expressed their intent to participate in the Auction as set forth above.

Except as otherwise provided herein, based upon the terms of the Qualified Bids received, the number of Qualified Bidders participating in the Auction, and such other information as the Proposal Trustee determines is relevant, the Proposal Trustee may conduct the Auction in any manner that it determines will achieve the maximum value for the Purchased Assets, provided that all Qualified Bidders that have timely submitted a Qualified Bid shall be entitled to be present during each round of bidding, the identity of each such Qualified Bidder shall be disclosed to all other Qualified Bidders, and all material terms of each Qualified Bid and each subsequent bid made by each such Qualified Bidder shall be disclosed to all other Qualified Bidders. The Proposal Trustee also may set opening bid amounts in each round of bidding as the Proposal Trustee determines to be appropriate.

If Qualified Bidders submit Qualified Bids, then the Proposal Trustee shall (i) promptly following the Bid Deadline, review each Qualified Bid on the basis of the financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the Sale Process, and (ii) as soon as practicable after the conclusion of the Auction, identify the best offer for the Purchased Assets (to the extent any such bid is acceptable to the Proposal Trustee, a "Successful Bid" and the bidder or bidders making such bid, the "Successful Bidder").

At the hearing on the Sale Approval Motion, the Proposal Trustee will present the Successful Bid to the Court for approval. The Proposal Trustee reserves all rights not to submit

any bid which is not acceptable to the Proposal Trustee for approval by the Court. The Proposal Trustee acknowledges that the Stalking Horse Bid is a Qualified Bid and shall be submitted to the Court for approval in the event that there is no other Successful Bid. Except as otherwise provided herein or as restricted by the Stalking Horse Asset Purchase Agreement, the Proposal Trustee, in the exercise of its fiduciary duties, may adopt rules for bidding at the Auction that, in its business judgment, will better promote the goals of the bidding process or any order of the Court entered in connection herewith.

If no Qualified Bid is submitted by the Bid Deadline or all Qualified Bids that have been submitted have been withdrawn prior to the Bid Deadline or the Auction Date, then the Proposal Trustee shall cancel the Auction (in which case, the Successful Bid shall be the Stalking Horse Bid, and the Successful Bidder shall be the Stalking Horse Bidder).

Break-Up Fee and Expense Reimbursement

To provide an incentive and to compensate the Stalking Horse Bidder for performing the substantial due diligence and incurring the expenses necessary in entering into the Stalking Horse Asset Purchase Agreement with the knowledge and risk that arises from participating in the sale and subsequent bidding process, the Proposal Trustee has agreed that Parlay shall pay the Stalking Horse Bidder, under the conditions outlined herein and in the Stalking Horse Asset Purchase Agreement, a break-up fee in the amount of \$50,000 (the "**Break-Up Fee**"), and to reimburse the Stalking Horse Bidder for the reasonable out-of-pocket expenses associated with the Stalking Horse Asset Purchase Agreement in the amount of up to \$50,000 (the "**Expense Reimbursement**"). **The Proposal Trustee will take into account the Break-Up Fee and the maximum amount of the Expense Reimbursement in each round of bidding with respect to the Stalking Horse Bidder.**

The Break-Up Fee and Expense Reimbursement were material inducements for, and a condition of, the Stalking Horse Bidder's entry into the Stalking Horse Asset Purchase Agreement. The Break-Up Fee and the Expense Reimbursement, if payable in accordance with the Stalking Horse Bid, shall be paid in accordance with the Stalking Horse Bid and the Bidding Procedures Order.

Overbid Amount; Minimum Bid Increment

There shall be an overbid amount that a Qualified Bidder must bid to exceed the Stalking Horse Bid ("**Overbid Amount**"), and that amount shall be at least \$37,500 for all bids made by Qualified Bidders, at the Auction. All subsequent bids shall not be less than \$35,000 in excess of the preceding bid, unless modified by the Proposal Trustee. **In each round of bidding, the Proposal Trustee will take into account the fact that the Break-Up Fee and Expense Reimbursement is not payable with respect to the Stalking Horse Bidder.**

For example, at the Auction, if the Lead Bid is at the Minimum Bid Amount:

- (a) the next bid for any Qualified Bidder other than the Stalking Horse Bidder cannot be less than \$2,066,322 (the Minimum Bid Amount plus \$35,000); and

- (b) the next bid for the Stalking Horse Bidder cannot be less than \$1,966,322 (\$1,931,322³ plus \$35,000).

Acceptance of Qualified Bids

The sale of the Purchased Assets to any Successful Bidder by the Proposal Trustee is expressly conditional upon the approval of the Successful Bid by the Court at the hearing of the Sale Approval Motion. The Proposal Trustee's presentation of any Qualified Bid to the Court for approval does not obligate the Proposal Trustee to close the transaction contemplated by such Qualified Bid until the Court approves the bid. The Proposal Trustee will be deemed to have accepted a bid only when the bid has been approved by the Court at the hearing on the Sale Approval Motion.

Sale Approval Motion Hearing

The Sale Approval Motion shall be made returnable on or before August 2, 2011 at 10:00 a.m. (prevailing Eastern Time) in the Court. The Proposal Trustee, in the exercise of its business judgment, reserves its right to the extent consistent with the Stalking Horse Asset Purchase Agreement to change the date of the hearing of the Sale Approval Motion in order to achieve the maximum value for the Assets.

At the hearing of the Sale Approval Motion, Parlay shall, with the assistance of the Proposal Trustee, seek approval from the Court to consummate the Successful Bid, and at the Proposal Trustee's election, to consummate the next best Qualified Bid (the "**Back-Up Bid**", and the party submitting the Back-Up Bid, the "**Back-Up Bidder**") should the Successful Bid not be closed in accordance with its terms for any reason.

If the Successful Bidder fails to consummate an approved Sale Process within two (2) business days after satisfaction of all conditions thereof, the Proposal Trustee may, but shall not be required, to consummate the Back-Up Bid without the requirement of any further approval thereof by the Court. The Back-Up Bid shall remain open until the first business day following the consummation of a Sale of the Purchased Assets to the Successful Bidder.

Modifications

The Proposal Trustee may (i) determine which Qualified Bid, if any, is the best offer; and (ii) reject at any time before the issuance and entry of an Approval and Vesting Order approving a Qualified Bid, any bid that is (a) inadequate or insufficient, (b) not in conformity with the requirements of the Bidding Procedures, or the terms and conditions of sale, or (c) contrary to the best interests of the Proposal Trustee, Parlay's estate or its creditors.

Notwithstanding the foregoing, the provisions of this paragraph shall not operate or be construed to permit the Proposal Trustee to (a) accept any Qualified Bid that (i) does not require a bid deposit of at least \$100,000 be placed in a protected, segregated account, which shall serve as protection and security for the Stalking Horse Bidder as outlined herein; or (ii) does not equal or exceed the Overbid Amount, or (iii) impose any terms and conditions upon the Stalking Horse

³ Being the Stalking Horse Bid of \$1,893,822 plus the Overbid Amount of \$37,500.

Bidder that are contradictory to or in breach of the terms of the Stalking Horse Asset Purchase Agreement other than any such terms and conditions set forth in these Bidding Procedures or the Bidding Procedures Order.

Miscellaneous

The Auction and these Bidding Procedures are solely for the benefit of the Proposal Trustee and nothing contained in the Bidding Procedures Order or these Bidding Procedures shall create any rights in any other person or bidder (including without limitation rights as third party beneficiaries or otherwise) other than the rights expressly granted to a Successful Bidder under the Bidding Procedures Order. The bid protections incorporated in these Bidding Procedures are solely for the benefit of the Stalking Horse Bidder.

Except as provided in the Bidding Procedures Order and Bidding Procedures, the Court shall retain jurisdiction to hear and determine all matters arising from or relating to the implementation of the Bidding Procedures Order.

APPENDIX “E”



Thursday 30 June 2011

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Business News

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#	Article Title	Date
1	ALC invests in Roboreus for Geosweep launch in Canada	Thursday, 30 June 2011
2	Irwin party begins formal process to sell Ongame	Thursday, 30 June 2011
3	Ladbrokes withdraws from Poland	Wednesday, 29 June 2011
4	Full Tilt closes tables as Alderney licence suspended	Wednesday, 29 June 2011
5	Another day, another change in recommendation from Rank	Wednesday, 29 June 2011
6	Cantor extends sportsbook deals with Las Vegas casinos	Wednesday, 29 June 2011
7	Italy: New tenders, cash poker licences, SNAI-Cogetech	Tuesday, 28 June 2011
8	STRECH wins five-year extension in Columbia	Tuesday, 28 June 2011
9	Rank in turmoil, says no to Gucco bid	Monday, 27 June 2011
10	Reffair begins search for new CEO	Monday, 27 June 2011

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APPENDIX “F”

Parlay Entertainment Inc.
Budget to actual cash flow analysis

	Week 9 - Ended July 1, 2011			May 4, 2011 - July 1, 2011		
	Projected	Actual	Variance	Projected	Actual	Variance
Cash Receipts						
<i>Receivables from Customers</i>						
Customer #1 deposit (PEL)	-	-	-	150,000	-	(150,000)
Customer #2 deposit (PEL)	-	192,837	192,837	250,000	241,504	(8,496)
Smart (15,000 pounds sterling) (PEL)	-	-	-	-	-	-
Intervision (PGL)	-	-	-	-	-	-
Stays in PGL	-	-	-	-	-	-
Video King (PEI)	-	-	-	4,800	4,915	115
207 Media (PEI) - rent	-	-	-	8,800	7,348	548
207 Media (PEI) RB	-	-	-	17,000	18,525	(475)
207 Media (PEI) managed service fee	-	-	-	8,000	7,542	1,542
Double B (PEL)	-	-	-	49,730	-	(49,730)
PAF (PEL)	-	-	-	-	-	-
Expekt (PEL)	-	-	-	-	3,998	3,998
Bet 24 (PEL)	-	-	-	-	8,389	8,389
Palacas (PML)	-	-	-	24,000	48,100	24,100
HST refunds	-	-	-	10,000	12,159	2,159
2010 corporate tax refund	-	-	-	-	-	-
Other receipt	-	-	-	-	18,313	18,313
Total Cash Receipts	-	192,837	192,837	518,330	381,768	(136,562)
Cash Disbursements						
<i>Purchases</i>						
<i>Overhead Costs</i>						
Payroll - gross	65,000	62,018	2,982	325,000	328,353	(3,353)
Vacation pay	-	-	-	15,633	15,833	-
Percom (Perry Malone)	-	-	-	22,800	22,800	-
Scott F. White Barrister and Solicitor	-	-	-	28,814	40,941	(14,127)
Manulife - health benefits	-	-	-	23,100	11,093	12,007
RBC - LTD	-	-	-	2,250	707	1,543
Expenses - CIBC VISA	-	-	-	8,000	898	5,104
Expenses - TD Canada Trust	-	-	-	2,000	1,430	570
<i>Overhead Cost</i>	-	-	-	-	-	-
Rent (gross rent)	15,000	-	15,000	45,000	33,900	11,100
Toronto Maintenance (cleaners)	1,300	-	1,300	3,900	1,358	2,544
Telephone - One Connect	-	-	-	9,000	-	9,000
Telephone - Bell (all three accounts)	-	-	-	2,400	1,913	487
Internet - Blink (catch up then monthly)	-	-	-	14,500	8,960	7,540
<i>Insurance</i>	-	-	-	-	-	-
Anchor - annual premium	-	-	-	1,940	-	1,940
D & O - annual premium	-	-	-	7,500	1,800	5,700
<i>Professional Fees</i>	-	-	-	-	-	-
MSCM llp - 2010 audit	20,000	-	20,000	30,000	18,950	13,050
Heenan Blaikie - balance of retainer	-	-	-	12,500	12,500	-
BDO - balance of retainer	-	-	-	12,500	12,500	-
Heenan Blaikie - ongoing fees (Note 1)	20,000	50,850	(30,850)	80,000	50,850	29,150
BDO - ongoing fees (Note 1)	20,000	23,705	(3,705)	80,000	49,684	30,318
<i>Other</i>	-	-	-	-	900	(900)
Funding 2011 / 2012 AGCC license (additional share subscription in PGL - 70,000 pounds sterling)	-	-	-	-	-	-
PGL licensee funding February 2011 (TGN / NetPlay) (assumed ongoing covered by PGL cash flow) (preferably additional share subscription)	-	-	-	108,591	110,502	(1,911)
MPP Projects Assets S.A. legal fees	-	-	-	-	-	-
MPP Projects Assets S.A. compliance fees	-	-	-	20,000	-	20,000
Contingency	10,000	12,179	(2,179)	80,000	17,795	62,205
Total Cash Disbursements	151,300	148,752	2,548	931,228	739,284	191,984
Net Cash from Operations	(151,300)	43,886	195,186	(412,898)	(357,496)	55,402
Opening Balance - CAD account	426,402	162,200	(264,202)	188,000	188,028	28
Opening Balance - USD account (in CAD - historical fx rate)	-	1,360	-	-	343	-
Opening Balance - EUR account (in CAD - historical fx rate)	-	3,910	-	-	500	-
Opening Balance - GBP account (in CAD - historical fx rate)	-	1,088	-	-	558	-
Net Cash from Operations	(151,300)	43,886	(107,416)	(412,898)	(357,496)	55,402
DIP Advance (Repayment)	278,102	212,440	(62,662)	(224,898)	(188,067)	56,831
Closing Balance - Bank Balance (aggregate)	278,102	212,440	(62,662)	278,102	212,440	(62,662)
Less: Closing balance - USD account (in CAD - historical fx rate)	-	1,360	-	-	1,360	-
Less: Closing balance - EUR account (in CAD - historical fx rate)	-	3,910	-	-	3,910	-
Less: Closing balance - GBP account (in CAD - historical fx rate)	-	1,088	-	-	1,088	-
CAD bank balance	-	206,084	(206,084)	-	206,084	(206,084)

Notes

1 - At July 1, 2011, Parlay Entertainment Inc. has arrears of professional fees related to its Notice of Intention to Make a Proposal and related proceedings broken down

Heenan Blaikie (Legal Fees - including HST) \$90,653
BDO Canada Limited (Trustees' Fees - including HST) \$5,416

APPENDIX “G”

Parley Entertainment Inc. (PEI)
Notes & Assumptions to the Statement of Cash Flows - June 24, 2011 Revision

- 1 Represents cash to be collected pursuant to a Memorandum of Understanding dated April 23, 2011, the terms of which have yet to be formalized in a signed contract. The MOU calls for a license fee of \$400,000 to be paid by Slim Creek Business S.A. (Phoenix) to PEI. A \$100,000 deposit was received by PEI on May 2, 2011 leaving \$300,000 still owed on the required deposit per the MOU. The MOU does not explicitly provide any restrictions with regard to PEI's use of deposit funds. The MOU also does not explicitly provide that the deposit shall be refundable to Slim Creek Business S.A. (Phoenix) in the event that a contract is not finalized. Per the MOU, an installment of \$150,000 to cover the total contract value was due on June 1, 2011. It has not yet been paid but is expected during the week ended July 6, 2011. The proceeds in that week include the \$10,000 and
- 2 Represents the first installment on a \$550,000 MOU dated May 14, 2011. As the customer is currently using an earlier version of Parley's software, the MOU was entered into to give them access to more current software and the MOU contemplates that two applications of the software will be provided, one initially and one at a later date. The definitive contract has yet to be agreed. The MOU included a \$50,000 deposit and a \$500,000 first installment. Both amounts have been received and were paid to S.U.S. net \$0.00, as a result of which \$6,473 is still due on these two payments. A further \$150,000 is due July 26, 2011 with \$100,000 due on October 27, 2011 and the balance of \$50,000 is due when the second software application is finalized. It is presently assumed that the \$6,473 presently owed will be received at the end of the payment schedule.
- 3 PEI has sub-leased certain of its leased Ontario premises to 207 Media, a customer of PEI. PEI has also sub-leased one of its employees to 207 Media. Total monthly payments to be received from 207 Media includes \$1,700 on account of sublet rent (including HST) and \$43,000 on account of the sub-leased employee's salary (including HST), and \$1,000 US for a management fee (approximately \$1,250 including HST). PEI and 207 Media have signed an agreement with regard to the sub-lease of PEI's Ontario premises, however, no agreement exists regarding the sub-leased employee's salary. The rent is paid in advance and the monthly amounts are paid in
- 4 Represents partial payment on a US \$400,000 contract signed March 23, 2009 between Parley Entertainment Limited, PEI's Barbours-based subsidiary ("PEI") and Deutsche Investments. To date, US \$325,000 has been received by PEI. A \$40,000 U.S. payment (approximately \$48,000), was expected and is still outstanding. It is included partially in July, we are advised it was wired on July 5, 2011, and partially in August.
- 5 Monthly royalty fee paid to Parley Media Limited ("PEI"), PEI's Media-based subsidiary by Palcos, a US-based vendor.
- 6 HST refunds received on account of ITC claims in excess of HST collected. As a supplier of services sold primarily on an international basis, PEI is only responsible for collecting HST on sales made in Canada, therefore, PEI generally receives HST refunds. As the 2010 corporate tax return is now overdue, no further HST refunds will be received until that 2010 return is filed.
- 7 PEI generated fiscal 2007 taxable income of \$10,000 for federal income tax purposes and \$150,000 for provincial income tax purposes. Upon filing its 2010 income tax return PEI expects to recover approximately \$40,000 on the basis of a carry-back of sufficient 2010 losses to 2007 to require all taxable income from 2007. It had originally been anticipated that this return would be filed in June 2011 but that did not prove possible. It is now anticipated that this return will be filed in late July 2011.
- 8 Gross payroll of approximately \$45,000, net of HST, is paid bi-weekly to continuing employees - source deductions are withheld and remitted on PEI's behalf by Canada. Certain employees can be paid overtime based on circumstances as a go-forward estimate of \$65,000 per pay is used.
- 9 Not used
- 10 Monthly gross compensation payment to PEI's Chief Technology Officer and reimbursement of business expenses paid personally.
- 11 Monthly gross compensation payment to PEI's Chief Executive Officer and reimbursement of business expenses paid personally.
- 12 Employee health and long term disability benefits consistent with historical costs.

Parley Entertainment Inc. (PPEI)
Notes & Assumptions to the Statement of Cash Flows - June 30, 2011 Revision

13 Monthly premises rent of \$15,000 is paid pursuant to a verbal agreement reached approximately March, 2011 between the landlord and PFL. Actual rent payable to the landlord pursuant to the lease is approximately \$27,000 per month. The \$12,000 premises rent payment pursuant to the verbal agreement, inclusive of GST, is to continue during the restructuring period.

14 Represents payment of \$1,000 per month to a supplier for hosting PPEI's servers for its Canadian managed services.

15 Not used.

16 Not used.

Other BDO requested a copy of Parley's bank reconciliation of May 4, 2011 to verify the correct opening cash balance and it was provided.

Other PFL, the ultimate owner of all of the subsidiaries has, over time, received significant cash that is actually not earned by it. PFL has, for example, received deposits from product sales, services and licensing agreements undertaken by PFL, and by PGL, which have created significant intercompany loan balances between the entities.


(a) PFL Effective November 30, 2010 (PPEI's taxation year-end), PFL, unofficially amalgamated with PFI in order to consolidate operations (as PFL was not earning positive income) and also to share up its intercompany balance with PFI by virtue of an intercompany dividend on amalgamation. PFL, however, must file approximately ten years of outstanding taxable income tax returns before the amalgamation can be completed. Approximately \$581,000 of 2000,000 total projected receipts during the ten year period are an account of revenue earned by subsidiaries, approximately \$517,000 of which are owed to PFL. All Parley intellectual property, before November 30, 2010 was owned by PFL.

(b) PGL The Alderney Gaming Control Commission has informally agreed to waive PGL's covenant requirement provided that PGL furnish the Alderney Gaming Control Commission with a guarantee that it would honour all of PGL's obligations. At present, PGL is in arrears on account of monthly fees of approximately 67,000 pounds sterling owed to three customers, moreover, it has negative working capital of approximately \$1,000,000. Such covenants require, among other things, that PGL meet certain working capital and net asset targets, which PGL has failed to meet. Failing to meet its covenants could ultimately lead to a shutdown of PGL's gaming operations by the Alderney Gaming Control Commission.

The Alderney Gaming Control Commission has informally agreed to waive PGL's covenant requirement provided that PGL furnish the Alderney Gaming Control Commission with a guarantee that it would honour all of PGL's obligations. At present, PGL is in arrears on account of monthly fees of approximately 67,000 pounds sterling owed to three customers, moreover, it has negative working capital of approximately \$1,000,000. Such covenants require, among other things, that PGL meet certain working capital and net asset targets, which PGL has failed to meet. Failing to meet its covenants could ultimately lead to a shutdown of PGL's gaming operations by the Alderney Gaming Control Commission.

In the past, PFI has been called upon to fund PGL's obligations as PGL has been unable to generate sufficient cash flow to pay current liabilities as they come due. Should the Alderney Gaming Control Commission call on PFI to honour its guarantee, PFI will likely be unable to provide significant working capital to cover PGL's obligations, which could lead to the Alderney Gaming Control Commission's commencement of legal action against PGL and the shutdown of PGL. It is assumed that the guarantee will not be called during the restructuring period.

Policy Statement Form (PSF)
Must be submitted to the Department of Risk from Nov 15, 2017 Revision

Policy Management Inc.
Per 
Date 11/15/17

DKU Canada Limited
Per 
Date 11/15/17

District of
 Division No. -
 Court No. 32-1494254
 Estate No. 32-1494254

- FORM 29 -
 Trustee's Report on Cash-Flow Statement
 (Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the proposal of
 Parlay Entertainment Inc.
 of the City of Oakville
 in the Province of Ontario

The attached statement of projected cash flow of Parlay Entertainment Inc., as of the 5th day of July 2011, consisting of cash flow projections for the period from 26 June to 2 September, 2011, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

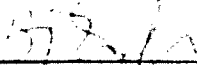
- (a) the hypothetical assumptions are not consistent with the purpose of the projection
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions, or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto in the Province of Ontario, this 5th day of July 2011.

BDO Canada Limited / BDO Canada Limitée - Trustee



 Suite 1200 - 123 Front St. West
 Toronto ON M5J 2M2
 Phone: (416) 865-0210 Fax: (416) 865-0904

District of
Division No. -
Court No. 32-1494254
Estate No. 32-1494254

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the proposal of
Parlay Entertainment Inc.
of the City of Oakville
in the Province of Ontario

Purpose:

This projected cash flow statement has been prepared for the purposes of filing a Proposal pursuant to the Bankruptcy and Insolvency Act.

Projection Notes:

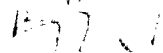
The projected cash flow statement has been prepared by the Management of the insolvent person and from information supplied from the company's records.

Assumptions:

Please see notes/ assumptions to the attached cash flow statement.

Dated at the City of Toronto in the Province of Ontario, this 5th day of July 2011.

BDO Canada Limited / BDO Canada Limitee - Trustee



Suite 1200 - 123 Front St. West
Toronto ON M5J 2M2
Phone: (416) 865-0210 Fax: (416) 865-0904

District of:
Division No: -
Court No: 22-1494254
Estate No: 22-1494254

- FORM 30 -
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50.6(c) and 50.4(2)(c) of the Act)

In the matter of the proposal of
Parlay Entertainment Inc.
of the City of Oakville
in the Province of Ontario

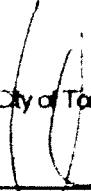
The Management of Parlay Entertainment Inc., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 5th day of July 2011, consisting of cash flow projections for the period from 28 June to 2 September, 2011.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.


Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto in the Province of Ontario, this 5th day of July 2011



Parlay Entertainment Inc.
Debtor



Name and title of signing officer



Name and title of signing officer

District of:
Division No. -
Court No. 32-1494254
Estate No. 32-1494254

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(8)(c) and 50.4(2)(c) of the Act)

In the matter of the proposal of
Parlay Entertainment Inc.
of the City of Oakville
in the Province of Ontario

Purpose:

This projected cash flow statement has been prepared for the purposes of filing a Proposal pursuant to the Bankruptcy and Insolvency Act.

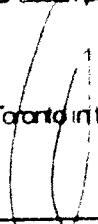
Projection Notes:

The projected cash flow statement has been prepared by the Management of the insolvent person and from information supplied from the company's records.

Assumptions:

Please see notes/ assumptions to the attached cash flow statement.

Dated at the City of Toronto in the Province of Ontario, this 5th day of July 2011



Parlay Entertainment Inc.

