

Court File No. 32-1494254  
Estate File No. 32-1494254

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

IN THE MATTER OF THE NOTICE OF INTENTION  
TO MAKE A PROPOSAL OF PARLAY ENTERTAINMENT INC.,  
INSOLVENT PERSON

Applicant

**APPLICANT'S MOTION RECORD**  
(returnable May 9, 2011)

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Proposal Trustee

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

IN THE MATTER OF THE NOTICE OF INTENTION  
TO MAKE A PROPOSAL OF PARLAY ENTERTAINMENT INC.,  
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Applicant

**INDEX**

<b>Tab</b>		<b>Page</b>
1	Notice of motion returnable May 9, 2011	1-7
A	Order	8-15
2	First Report of BDO Canada Limited	16-47

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

IN THE MATTER OF THE NOTICE OF INTENTION  
TO MAKE A PROPOSAL OF PARLAY ENTERTAINMENT INC.,  
INSOLVENT PERSON

Applicant

**NOTICE OF MOTION**  
(returnable May 9, 2011)

Parlay Entertainment Inc. ("**Parlay**") will make a motion to the Honourable Mr. Justice Cumming who is presiding over the Ontario Superior Court of Justice (Commercial List) on **Monday, May 9, 2011** at 9:30 a.m. or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

**PROPOSED METHOD OF HEARING:** The motion is to be heard orally.

**THE MOTION IS FOR:**

1. An order, substantially in the form attached as **Schedule "A"** which order shall, *inter alia*:
  - (a) abridge the time for, and validate the service of, this motion record and dispense with further service of same;
  - (b) approve a first ranking administrative charge against the property of Parlay in the amount of \$200,000;
  - (c) approve the debtor-in-possession credit facility entered into April 25, 2011 (the "**DIP Facility**") by Parlay and MPPProjects Assets S.A. (the "**DIP Lender**") in the form attached as Appendix "C" to the first report of BDO Canada Limited,

the proposal trustee (“**BDO**” or the “**Proposal Trustee**”) of Parlay dated May 4, 2011 (the “**First Report**”);

- (d) approve a second ranking charge against the property of Parlay in the amount of \$500,000 (the “**Maximum Allowable Amount**”) in favour of the DIP Lender to secure the debtor-in-possession facility (the “**DIP Charge**”);
- (e) approve the First Report and the activities described therein; and
- (f) such further and other relief as counsel may seek and this Honourable Court may deem just.

**THE GROUNDS FOR THE MOTION ARE:**

2. Parlay is a software development and managed solutions provider for the Internet gaming industry. The company is listed on the TSX Venture Exchange under the symbol “PEI”.

3. Parlay filed a notice of intention to make a proposal (the “**NOI**”) under the *Bankruptcy and Insolvency Act* (Canada) R.S.C. c, B-3 (the “**BIA**”) on May 4, 2011 and BDO was appointed as the Proposal Trustee.

4. Parlay requires immediate access to DIP funds to stabilize its operations.

5. On or about April 25, 2011, Parlay agreed to the tentative terms of two software license agreements with two customers (the “**Customers**”). The agreements provide for the provision of source and/or object code to Parlay’s technologies. The technology is to be delivered on future dates, to be agreed to by the parties.

6. Due to the pending NOI proceedings, Parlay insisted on deposits from the Customers. The deposits are in the amount of (a) \$150,000, which is to be remitted on or before April 30, 2011 from one customer; and (b) \$250,000, which is to be paid on or prior to May 15, 2011 from the second customer.

7. Although agreements have not yet been completed with the Customers, the additional license payments are expected to be received commencing June 1, 2011.
8. The uncertainty surrounding the timing of the deposits and remaining payments by the Customers will have a significant impact on the company's cash flows and in turn, its stability and ability to restructure.
9. The uncertainty surrounding the timing of the payment by the Customer will have a significant negative impact on the company's cash flows and in turn, its stability and ability to restructure.
10. Given Parlay's liquidity issues, which are outlined in the First Report, the risk that the above pre-payment will not be remitted prior to delivery will have a domino effect. It will destabilize operations and jeopardize the company's restructuring efforts.
11. The DIP Facility provides for the payment of necessary ongoing business expenses during the restructuring such as rent and payroll, and the reasonable fees and disbursements of the proposal trustee and company counsel. Accordingly, there is extreme urgency in obtaining the DIP funding to ensure the continuance of Parlay's operations and its restructuring efforts.
12. Parlay is expected to be subject to the NOI proceedings until August 2011. The DIP Facility is limited to coincide with that time period.
13. The company's business and financial affairs will be managed during the proceedings by the co-founders Scott White and Perry Malone as well as Parlay's chief financial officer, David Callandar.
14. The DIP Facility will allow the company to fund operations during the proposed restructuring, which is the best means to maximize value for stakeholders.
15. The value of Parlay's assets will be sufficient to secure the Maximum Allowable Amount pursuant to the DIP Facility.

16. No creditors will be materially prejudiced as a result of the DIP security or DIP Charge. Parlay has no secured creditors.
17. The DIP Lender would not grant the DIP Facility in the absence of the DIP Charge.
18. The First Report that the Proposal Trustee is supportive of the DIP.
19. The interest charged pursuant to the DIP Facility (8%) is low compared to typical DIP financing.
20. The complexity of the proposed restructuring is sufficient to warrant the proposed professionals. Each will play a unique and critical role in the restructuring of Parlay. It is unlikely that the professionals would participate in these proceedings if the Administration Charge was not approved to secure their fees and disbursements.
21. As noted above, Parlay does not have any secured creditors. The quantum of the proposed Administration Charge is reasonable in the circumstances to preserve Parlay's operations, which are set out in the First Report. The Proposal Trustee concurs that the Administration Charge is reasonable.
22. The proposed order contains a comeback on 7 days' notice to counsel to Parlay, the DIP Lender and the Proposal Trustee.
23. The grounds set out in the First Report.
24. Sections 50.6 and 64.2 of the BIA.
25. The inherent and equitable jurisdiction of this Court.
26. Sections 97 of the *Courts of Justice Act*, R.S.O. 1990 c. C.43.
27. Rules 1.04, 2.03, 3.02 and 17 of the *Rules of Civil Procedure*, R.R.O. 1990 Reg. 194; and
28. Parlay will rely on such further and other grounds as counsel may advise and this Honourable Court may permit.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

- (a) the First Report; and
- (b) such further and other material as counsel may advise and this Honourable Court may permit.

May 4, 2011

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Lawyers for Parlay Entertainment Inc.

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Proposal Trustee

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF PARLAY  
ENTERTAINMENT INC., INSOLVENT PERSON

Court File No: 32-1494254  
Estate File No. 32-1494254

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE -**  
**COMMERCIAL LIST**

Proceeding commenced at Toronto, Ontario

**NOTICE OF MOTION**  
**(RETURNABLE MAY 9, 2011)**

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Lawyers for Parlay Entertainment Inc.

Court File No. 32-1494254  
Estate File No. 32-1494254

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**

**THE HONOURABLE MR.** ) **MONDAY, THE 9<sup>th</sup>**  
 )  
**JUSTICE CUMMING** ) **DAY OF MAY, 2011**

**IN THE MATTER OF THE NOTICE OF INTENTION  
TO MAKE A PROPOSAL OF PARLAY  
ENTERTAINMENT INC., INSOLVENT PERSON**

Applicant

**ORDER**

**THIS MOTION**, made by the debtor, Parlay Entertainment Inc. (the “**Debtor**”), for an order substantially in the form as appended to the motion record of Parlay dated May 4, 2011 (the “**Motion Record**”) was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Motion Record, the first report of BDO Canada Limited in its capacity as the proposal trustee (the “**Proposal Trustee**”) of Parlay dated May 4, 2011 (the “**First Report**”) and the memo of law of Parlay dated May 2, 2011 (the “**Memo of Law**”) and on hearing the submissions of the Proposal Trustee and of counsel for Parlay and upon being advised of the consent of MPProjects Assets S.A. (the “**DIP Lender**”):

**SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Motion Record, the Memo of Law and the First Report is hereby abridged so that this motion is properly returnable today and hereby dispenses with further service thereof.

**ADMINISTRATION CHARGE**

2. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Proposal Trustee or as an officer of this Court, the Proposal Trustee shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Proposal Trustee by the *Bankruptcy and Insolvency Act* (“**BIA**”) or any applicable legislation.

3. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and counsel to Parlay shall be paid their reasonable fees and disbursements, in each case, at their standard rates and charges, by Parlay as part of the costs of these proceedings. Parlay is hereby authorized and directed to pay the accounts of the Proposal Trustee, counsel for the Proposal Trustee and its counsel on a semi-monthly basis and, in addition, Parlay is hereby authorized to pay to the Proposal Trustee, counsel to the Proposal Trustee, and counsel to the company, retainers in the amounts of \$25,000 each to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

4. **THIS COURT ORDERS** that the Proposal Trustee and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Proposal Trustee and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

5. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee, if any, and Parlay’s counsel shall be entitled to the benefit of, and are hereby granted, a charge (the "**Administration Charge**") on the existing and after acquired real and personal property, intangible and tangible assets and undertaking of Parlay (the "**Property**"), which charge shall not exceed an aggregate amount of \$200,000 as security for their professional fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and such counsel, both before, and after, the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 12 and 14 hereof.

**INTERIM FINANCING**

6. **THIS COURT ORDERS** that Parlay is hereby authorized and empowered to obtain and borrow under a credit facility entered into with the DIP Lender in order to finance the company's working capital requirements and other general corporate purposes provided that the borrowings under such credit facility shall not exceed the amount specified in the DIP Facility (defined below) unless permitted by further order of this Court.

7. **THIS COURT ORDERS** that the credit facility shall be on the terms and subject to the conditions as set forth in the term sheet entered into between Parlay and the DIP Lender dated April 25, 2011, and as contained in Appendix "C" to the First Report (the "**DIP Facility**").

8. **THIS COURT ORDERS** that Parlay is authorized and empowered to execute and deliver such credit agreements, mortgages, charges, and security documentation or other definitive documents (collectively, the "**Definitive Documents**") as are contemplated by the DIP Facility or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and Parlay is hereby authorized and directed to pay and perform, following the effective date of the DIP Facility, all of the indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Facility and the Definitive Documents as and when the same become due and are to be performed.

9. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is granted a DIP Charge on all the Property, which charge shall not exceed the aggregate amount owed to the DIP Lender under the DIP Facility and the Definitive Documents. The DIP Charge shall have the priority set out in paragraphs 12 and 14 of this Order.

10. **THIS COURT ORDERS** that, notwithstanding any other provision of the BIA:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Charge, the DIP Lender, upon 5 days notice to Parlay and the Proposal Trustee, may exercise any and all of its rights and remedies against Parlay or the Property under or

pursuant to the DIP Facility, Definitive Documents and the DIP Charge, including without limitation, to cease making advances to Parlay and set off and/or consolidate any amounts owing by the DIP Lender to Parlay against the obligations of Parlay to the DIP Lender under the DIP Facility, the Definitive Documents or the DIP Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against Parlay and for the appointment of a trustee in bankruptcy of Parlay and upon the occurrence of an Event of Default under the terms of the DIP Facility or the Definitive Documents the DIP Lender shall be entitled to seize and retain proceeds from the sale of the Property and the assets of Parlay and the cash flow of Parlay to repay amounts owing to the DIP Lender in occurrence with the terms of the DIP Facility and the DIP Charge but subject to the Administration Charge and the priority set out in paragraphs 12 and 14 of this Order; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.

11. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by Parlay under any proposal filed by Parlay under the BIA, as the case may be, with respect to any advances made under the Definitive Documents or the DIP Facility, however the DIP Lender shall seek leave of this Court prior to taking any enforcement steps.

**VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

12. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Charge, as among them, shall be as follows:

First – Administration Charge; and

Second – DIP Charge.

13. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge or the DIP Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or

interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

14. **THIS COURT ORDERS** that each of the Administration Charge and the DIP Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

15. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, Parlay shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Administration Charge or the DIP Charge, unless Parlay also obtains the prior written consent of the Proposal Trustee, the DIP Lender and the beneficiaries of the Administration Charge, or further Order of this Court.

16. **THIS COURT ORDERS** that the Charges, the DIP Facility and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**"), which binds Parlay, and notwithstanding any provision to the contrary in any such Agreement or otherwise:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by Parlay of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by, or resulting from, Parlay entering into the

DIP Facility, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

- (c) the payments made by Parlay pursuant to this Order, the DIP Facility or the Definitive Documents, and the granting of the Charges, do not, and will not, constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

### **COMEBACK**

17. **THIS COURT ORDERS** that any interested party (including Parlay and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

### **GENERAL**

18. **THIS COURT ORDERS** that nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of Parlay, its business or the Property.

19. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or any court or any judicial, regulatory or administrative body of any other nation or state to give effect to this Order and to assist the parties and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the parties, as may be necessary or desirable to give effect to this Order or to assist the parties and their agents in carrying out the terms of this Order.

20. **THIS COURT ORDERS** that Parlay and the Proposal Trustee be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to Parlay's creditors or other interested parties at their respective addresses as last shown on the records of Parlay and that any such service or notice by courier,



personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

21. **THIS COURT ORDERS** that Parlay, the Proposal Trustee, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Proposal Trustee may post a copy of any or all such materials on its website at **[www.bdo.ca/extranets/parlayentertainment](http://www.bdo.ca/extranets/parlayentertainment)**

22. **THIS COURT ORDERS** that the First Report and activities of the Proposal Trustee as described therein are hereby authorized and hereby approved.

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IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL  
OF PARLAY ENTERTAINMENT INC., INSOLVENT PERSON

Court File No: 32-1494254  
Estate File No. 32-1494254

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

Proceeding commenced at Toronto

**ORDER**

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Lawyers for the Applicant

Court File No.

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

IN THE MATTER  
OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL  
OF PARLAY ENTERTAINMENT INC.

FIRST REPORT OF THE BDO CANADA LIMITED,  
AS PROPOSAL TRUSTEE  
May 4, 2011

Table of Contents

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1. Introduction and Background ..... 3  
    1.1 Introduction..... 3  
    1.2 Background ..... 3  
    1.3 Purpose ..... 4  
2. Cash Flow Forecast..... 5  
3. Proposed Debtor-In-Possession Financing and Administration Charge ..... 6  
4. Summary and Recommendations ..... 7

Appendix A      Parlay - Notice of Intention to Make a Proposal  
Appendix B      Thirteen Week Cash Flow Forecast  
Appendix C      Debtor- In-Possession Credit Facility  
Appendix D      PPSA Searches

## 1. Introduction and Background

### 1.1 Introduction

1.1.0 On May 4, 2011 Parlay Entertainment Inc. (“Parlay”) filed a Notice of Intention to Make Proposal under the Bankruptcy and Insolvency Act (the “NOI”). BDO Canada Limited has consented to act as Proposal Trustee (“BDO” or the “Proposal Trustee”). A copy of the NOI including the creditors list, BDO’s consent and the Director’s Resolution is attached hereto to as Appendix A.

### 1.2 Background

1.2.0 Parlay is a public company listed under the TSX Venture Exchange. Parlay is one of the pioneers and technology leaders in the online gaming industry. As the inventor and holder of Internet bingo patents, Parlay was the first company in the world to develop and deploy a commercial deployment of its award winning software along with value-added Parlay Game Services (“PGS”) managed solutions based in Alderney and North America. PGS includes hosting services, shared games and, in the case of PGS Europe, pooled liquidity across the European marketplace. Some of the world’s best known brands use Parlay solutions. Parlay’s head offices are located in Oakville, Canada. Parlay is licensed or certified to conduct business in Alderney, the United Kingdom and the Isle of Man.

1.2.1 Parlay’s revenues declined from \$8.5 million in 2008 to \$3.3 million in 2009 and to \$2.9 million for the year-ended December 31, 2010.

1.2.2 This substantial decrease in revenues was a product of increased regulation of the on-line gaming industry in the USA, the world-wide recession reducing discretionary spending and increased competition.

1.2.3 Despite management’s efforts to reduce costs, substantial losses were incurred in 2010 of \$2.4 million.

1.2.4 Management's belief is that the present revenue levels do not represent a sustainable business model for a public company with the accompanying accounting, regulatory and legal costs.

1.2.5 A summary of Parlay's balance sheet as February 28, 2011 is presented below (expressed in \$000's):

Assets		Liabilities	
Cash	\$562	Accounts Payable	\$1,317
Accounts Receivable	816	Income taxes payable	64
Prepaid expenses	<u>145</u>	Deferred revenue	<u>407</u>
	1,523		<u>1,788</u>
Fixed Assets	82	Common Stock	4,894
Intangibles	<u>177</u>	Retained deficit	<u>&lt;4,900&gt;</u>
	<u>\$1,782</u>	Net equity (deficit)	<u>&lt;6&gt;</u>
			<u>\$1,782</u>

1.2.6 Parlay's management has initiated the NOI for the purpose of selling the business operations to a third party. The party that has offered to provide a Debtor-In-Possession Credit Facility (the "DIP") may also present a Stocking Horse Bid in support of a sales process conducted by the Proposal Trustee.

### 1.3 Purpose

1.3.0 The purpose of this First Report of the Proposal Trustee is to:

- a) report to the Court on the preliminary Thirteen Week Cash Flow of Parlay;
- b) provide the Proposal Trustee's analysis and recommendation with respect to the proposed DIP; and

- c) Provide the Proposal Trustee's recommendation with respect to the Administration Charge as defined in the proposed form of Order.

## 2. Cash Flow Forecast

2.1.0 The Chief Financial Officer of Parlay, Mr. David Callander, C.A. has prepared a thirteen week cash flow forecast for the period May 4, 2011 to August 5, 2011, attached hereto as Appendix B (the "Forecast").

2.1.1 A summary of the Forecast is provided below:

<i>Receipts</i>	
Collection of customer receivables	\$801,630
 <i>Disbursements</i>	
Payroll and related costs	599,868
Rent, internet and other operating costs	106,440
Professional Fees	215,000
License and Compliance Fees	128,591
Contingency	<u>130,000</u>
	<u>1,179,899</u>
Net Cash Flow	<u>&lt;378,269&gt;</u>
Opening Cash Balance - May 4, 2011	188,000
DIP Financing	<u>500,000</u>
Closing Cash Balance -August 5, 2011	<u>\$309,731</u>

2.1.2 The cash inflows from customers are not sufficient to fund the operating costs and professional fees associated with Parlay's restructuring efforts. Though the Proposal Trustee has only conducted a preliminary review of the Forecast, we are of the view that the requirement for the DIP financing is clearly evident.

2.1.3 In addition, there is some uncertainty concerning the timing of receipt of \$400,000 in deposits on the sale of software licenses to two key customers. These receipts are included in the Forecast, but due to the

risk of delays in completing these transactions, the risk of not funding ongoing costs without the proposed DIP is even greater.

### 3. Proposed Debtor-In-Possession Financing and Administration Charge

3.1.0 The Debtor-In-Possession Credit Facility dated April 25, 2011 is attached hereto as Appendix C and basic terms are as follows:

- a) Maximum \$500,000 credit facility with an initial drawdown of \$250,000 that has been deposited in the Proposal Trustee's bank account;
- b) Maturity Date of 4 months from the date of first advance;
- c) The DIP is conditional upon the Court's approval of the DIP charge which would be subordinate only to the Administration Charge of \$200,000 for the professional and legal fees of the Proposal Trustee, its counsel and Parlay's counsel;
- d) Interest Rate of 8% per annum;
- e) Covenants are mainly limited to cooperation with and disclosure to the DIP Lender and the Proposal Trustee as well as not priming the DIP Lender or filing a Proposal without their consent; and
- f) Events of Default include but are not limited to a negative variance on the Forecast greater than 20% and any other material adverse charge.

3.1.1 In reviewing the terms of the DIP and assessing the financial support required by Parlay, the Proposal Trustee provides the following observations:

- a) As Parlay does not have any secured creditors, the proposed DIP is not priming another party's security interest nor materially prejudicing the position of the unsecured creditors (refer attached PPSA search in Appendix D), also it does not secure pre-filing obligations;
- b) The Forecast clearly indicates the need for DIP financing to ensure that on-going payroll and operating costs are funded;



- c) The term of the proposed DIP coincides with management's timeframe to complete NOI proceedings, namely August 2011;
- d) Parlay's senior management have agreed to continue in their current roles during the NOI proceedings and have indicated they have canvassed major customers and suppliers and those party's are generally supportive of the NOI proceedings;
- e) The value of the software, licenses, intellectual property and other assets should be sufficient to secure the DIP; and
- f) The interest rate for the proposed DIP is relatively low compared to typical DIP financing.

3.1.2 With the proposed DIP providing financing to support the continued operations and a going-concern sales process, the Proposal Trustee is of the view that this is the best means to maximize value for the creditors and possibly even shareholders.

3.1.3 Parlay has also requested an Administration Charge of \$200,000 for fees of the Proposal Trustee, its legal counsel and Parlay's legal counsel. Due to the cash flow constraints of Parlay and the cost of undertaking a sale process in the NOI proceedings, the Proposal Trustee is of the view that the first ranking Administration Charge of \$200,000 is appropriate in these circumstances.

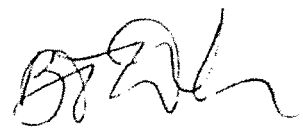
3.1.4 The DIP lender has indicated that they may provide a stocking horse bid to reduce the uncertainty surrounding Parlay conducting a sale process under NOI proceeds. The DIP itself would likely form part of that offer effectively as a credit bid.

#### 4. Summary and Recommendations

4.1.0 The Proposal Trustee recommends and respectfully requests that the Court make an Order approving the proposed DIP and the DIP Charge.

All of which is respectfully submitted this 4th day of May, 2011.

BDO CANADA LIMITED  
Proposal Trustee  
Per:



Blair F. Davidson, CA•CIRP, CBV, CMC  
President



List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
1373007 Ontario Ltd.	21 Caster Avenue, Unit 1 Woodbridge ON L4L 5Z1		34,404.00
Anchor Insurance Brokers Ltd.	926 The East Mall Toronto ON M9B 6K1	PARLA-1	1,937.52
Andrew Carter	4207 Jefton Crescent Mississauga ON L5L 1Z2		11,651.54
Anthony D. De Werth	P.O. Box 1106, 133 Eastridge Drive Thornbury ON N0H 2P0		24,375.00
Bell Canada	PO Box 9000, Station Don Mills, Toronto ON M3C 2X7	905 337 8454	331.69
Bell Canada	P.O. Box 3250, Station Don Mills, Toronto ON M3C 4C9	845 20 060 0120900	395.76
Bell Conferencing Inc	5099 Creekbank Road B4 Mississauga ON L4W 5N2	528022	511.77
Blink Communications	Box 1900, 861 Redwood Square Oakville ON L6J 5E3	1578	7,299.80
Boyle & Co. LLP	25 Adelaide Street East, Suite 1900 Toronto ON M5C 3A1		6,963.47
Brian Barr	28 Maple Drive Orillia ON L3V 3W2		22,250.00
Canadian Springs	PO Box 4514, Station A Toronto ON M5W 4L7	111124607	347.98
Carla Gajdecki	597 Cram Road, RR2 Carleton Place ON K7C 4M3		23,879.87
CDW Canada	PO Box 57720, Postal Station A Toronto ON M5W 5M5	8833234	2,358.63
Chubb Edwards	2740 Matheson Bl. East, Unit 1 Mississauga ON L4W 4X3	655347	289.28
David Callander	2295 Marine Drive #7 Oakville ON L6L 1C2		32,827.00
Dean Maloney	292 Parkside Drive Waterdown ON L0R 2H0		15,216.52
Equity Financial Trust Company	200 University Avenue, Suite 400, Toronto ON M5H 4H1	1938	265.55
Fasken Martineau DuMoulin	Bay Adelaide Centre, Box 20, 333 Bay Street, Suite 2400 Toronto ON M5H 2T6	230544.00001	6,472.60
Federal Express Canada Ltd.	PO Box 4626, Station A Toronto ON M5W 5B4	2420-8843-3	442.66

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Grand & Toy	PO Box 5500 Don Mills ON M3C 2L5	850926	525.74
I Gaming Business £1,450	3rd Floor, 33-41 Dallington Street, EC1V 0BB London England		2,280.42
Imperial Coffee and Services	12 Kodiak Crescent Toronto ON M3J 3G5	P106500	588.47
Iron Mountain	P.O. Box 3527, Station A Toronto ON M5W 3G4	70126	799.26
Manulife Financial	P.O. Box 1627 Waterloo ON N2J 4P4	28168	15,648.16
Mark Jorritsma	391 Bevan Drive Burlington ON L7L 4L5		21,389.45
Marketwire L.P.	25 York Street, Suite 900 Toronto ON M5J 2V5	10100003708	700.60
Neil Rodrigues	12 Fiddleneck Crescent Brampton ON L6R 1R2		8,514.01
OneConnect Services Inc.	P.O. Box 57420, Postal Station A Toronto ON M5W 5M5	OC00000393	3,280.67
Pageant Media Ltd. £13,650	Dunstan House, 14a St. Cross Street, EC1N 8XA London England		21,467.36
Peggy O'Neill	1501 Jasmine Crescent, Oakville ON L6H 3H2		87,666.00
Perry N. Malone	1048 Cedar Grove Blvd Oakville ON L6J 2C1		40,499.00
Peter R. Trinz	302 King Street West Oakville ON L6T 1B9		61,176.92
RBC Life Insurance Company	PO Box 2691, Postal Station A, Toronto ON M5W 2N7	0572446-0019	1,538.70
Rogers	P.O. Box 9100 Don Mills ON M3C 3P9	5-0012-7519	421.62
Rogers	PO Box 9100 Don Mills ON M3C 3P9	1-0349-8309	1,754.45
Scott F. White	10463 Guelph Line Campbellville ON L0P 1B0		56,496.00
Toronto Maintenance Co.	2394 Gareth Rd. Mississauga ON L5B 1Z5		1,356.00
TSX Venture Exchange	PO Box 56289, Station A Toronto ON M5W 4L1		5,876.00

Total		524,199.47
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SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)

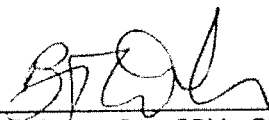
IN THE MATTER OF THE PROPOSAL OF  
PARLAY ENTERTAINMENT INC.  
of the City of Oakville  
in the Province of Ontario

CONSENT

WE THE UNDERSIGNED, BDO CANADA LIMITED, a licensed Trustee in Bankruptcy, hereby consent to act as Trustee under the Proposal to be filed by the above-noted debtor.

DATED at Toronto, this 21<sup>st</sup> day of April, 2011.

BDO CANADA LIMITED  
Per:



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Blair F. Davidson, CA, CBV, CIRP, CMC  
President

**CONSENT TO ACTION TO BE TAKEN BY THE BOARD OF DIRECTORS OF  
PARLAY ENTERTAINMENT INC.**

**WHEREAS**, the corporation continues to incur losses and without a significant reduction in its operating costs, an investment of new capital or an increase in customer revenue, the corporation will be unable to meet its obligations as they generally become due;

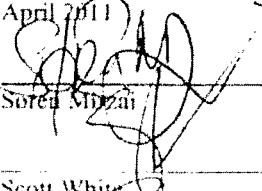
**AND WHEREAS**, the board of directors are desirous in approving actions to address this issue without a formal meeting of the board of directors;

**AND WHEREAS**, the corporation is authorized to take such action without a meeting pursuant to Paragraphs 126 (10) and 129 (1) of the Ontario Business Corporations Act.


**NOW, THEREFORE, BE IT**

**RESOLVED** that the corporation file a Notice of Intention to make a Proposal pursuant to the Bankruptcy and Insolvency Act, naming BDO Canada Limited as Trustee for that purpose and that the Chief Executive Officer and the Corporate Secretary be authorized to execute such documents in connection therewith as may be required.

By affixing their signature below, each of the corporation's board of directors acknowledges their consent to the foregoing resolution without a meeting this 20th day of April 2011

  
\_\_\_\_\_  
Soreh Mirzai

\_\_\_\_\_  
Scott White

  
\_\_\_\_\_  
Perry Malone



Perisy Entertainment Inc.  
Cash Forecast  
May 4, 2011 to August 5, 2011

	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Totals
	06-May	13-May	20-May	27-May	03-Jun	10-Jun	17-Jun	24-Jun	01-Jul	08-Jul	15-Jul	22-Jul	29-Jul	05-Aug	
<b>Cash Receipts</b>															
Customer #1 deposit (PEL)					150,000				50,000						150,000
Customer # 2 deposit (PEL)															300,000
Smart (15,000 pounds sterling) (PEL)															-
Intercom (PGL)															7,200
Video King (PEI)			2,400				2,400								7,200
207 Media (PEI) - rent	3,400				3,400					3,400					10,200
207 Media (PEI) RB	8,500				8,500					8,500					25,500
207 Media (PEI) managed service fee	3,000				3,000					3,000					9,000
PAE (PEL)				48,730											48,730
Expekt (PEL)															-
Bet24 (PEL)															-
Falacas (PML)															60,000
Ships in PGL								12,000				12,000			12,000
First Nation (PGL)															12,000
Stays in PGL								5,000				60,000			60,000
HST refunds															33,000
2010 corporate tax refund															10,000
															180,000
<b>Total Cash Receipts</b>	14,900		7,400	311,730	150,000	14,900	2,400	17,000	50,000	14,900	2,400	72,000	72,000	72,000	801,630

**Cash Disbursements**

Overhead Costs	65,000		65,000		65,000		65,000		65,000		65,000		65,000		390,000
Payroll - gross	15,823														15,823
Person (Ferry Malone)			11,300				11,300					11,300			34,900
Scott F. White Barrister and Solicitor			13,407				13,407					13,407			40,214
Manuels - health benefits			7,700				7,700					7,700			23,100
PBC - LTD - CIBC USA			3,000				3,000					3,000			9,000
Expenses - TD Canada Trust			1,000				1,000					1,000			3,000
Overhead Cost					15,000				15,000						45,000
Rent (gross rent)					1,300				1,300						3,900
Telephone - One Connect					3,000				3,000			3,000			9,000
Telephone - Bell (all three accounts)					800				800			800			2,400
Internet - Bink (catch up then monthly)					3,900				3,900			3,900			11,700

Parlay Entertainment Inc.  
Cash Forecast  
May 4, 2011 to August 6, 2011

	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Totals
	06-May	13-May	20-May	27-May	03-Jun	10-Jun	17-Jun	24-Jun	01-Jul	08-Jul	15-Jul	22-Jul	29-Jul	05-Aug	
	Week Ending														
Sales & Promotion															
Operating Leases															
Insurance	1,940														1,940
Annual premium	7,500														7,500
D & O - annual premium															
Professional Fees		10,000													10,000
NSCM fee - 2010 audit	12,500														12,500
Bank charges - balance of rollover	12,500														12,500
Bank charges - ongoing fees	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Bank charges - ongoing fees	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
BDC - ongoing fees															
Other															
Other - 2011/2012 AGCC lease				106,581											106,581
Additional share subscription in PCL -															
70,000 pounds sterling															
PGL licensee funding February 2011 (TON / NetPlay)															
(assumed ongoing covered by PGL cash flow)															
(generate additional share subscription)															
MPP Projects Assets S.A. legal fees															
MPP Projects Assets S.A. compliance fees															
Contingency															
Total Cash Disbursements	170,923	30,000	122,157	135,991	111,300	30,000	95,000	84,557	131,300	30,000	75,000	54,557	54,557	54,557	1,178,859
Net Cash from Operations	(156,023)	(50,000)	(114,737)	(174,729)	(39,799)	(15,100)	(92,600)	(67,557)	(61,300)	(15,000)	(72,600)	(7,443)	(7,443)	(7,443)	(778,859)
Opening Balance - Bank balance	184,000	31,977	251,977	137,220	312,859	338,859	243,859	243,859	428,402	445,102	380,402	287,402	217,443	174,443	1,378,859
Net Cash from Operations	(156,023)	(18,023)	(117,250)	(137,220)	(117,250)	(117,250)	(117,250)	(117,250)	(117,250)	(117,250)	(117,250)	(117,250)	(117,250)	(117,250)	(1,104,000)
DP Advance (Repayment)		250,000													250,000
Closing Balance - Bank Balance	31,977	251,977	137,220	312,859	351,659	338,559	243,859	428,402	545,102	330,002	257,402	274,845	292,288	309,711	309,711

**HIGHLY CONFIDENTIAL**

Parlay Entertainment Inc.  
2305 Wyecroft Rd, 2<sup>nd</sup> Floor  
Oakville, ON L6L 6R2

Attention: Mr. Scott White

**SENIOR SECURED, SUPER-PRIORITY  
DEBTOR-IN-POSSESSION CREDIT FACILITY**

**SUMMARY OF 'TERMS AND CONDITIONS**

*This term sheet is to be held confidential and its terms may not be shared with outside parties unless the consent of the Lender (as defined herein) is provided. All dollar amounts are in Canadian dollars unless expressly stated otherwise.*

**BORROWER:** Parlay Entertainment Inc. (the "Borrower")

**BANKRUPTCY  
PROCEEDINGS:**

The Borrower intends to file a notice of intention (the "NOI") to file a proposal (the "NOI Proceedings") pursuant to the provisions of the *Bankruptcy and Insolvency Act* (the "BIA"), and agrees to cooperate with the proposed proposal trustee, (the "Proposal Trustee") BDO Canada Limited ("BDO" or the "Proposal Trustee") to develop a sales process to be undertaken by the Proposal Trustee on behalf of the Borrower which will provide for the marketing and sale process of the Borrower's property, assets and undertaking (the "Sales Process").

**LENDER:** MPProjects Assets S.A.

**DIP CREDIT  
FACILITY:**

\$500,000 plus applicable cost and expenses (the "Maximum DIP Credit Facility Amount") super priority credit facility (the "DIP Credit Facility") consisting of an initial drawdown of \$250,000 on closing and further draw-downs to be available at the sole option and discretion of the Lender in accordance with the forecasted cash flows provided by the Borrower in consultation with the Proposal Trustee and agreed to by the Lender (the "Cash Flows") a copy of which are attached as Schedule "A".

**DIP MATURITY  
DATE:**

The maturity date of the DIP Credit Facility will be the earliest of: (i) the date that is 4 months from the date of initial funding, and (ii) the occurrence of any Event of Default (the "DIP Maturity Date"),

which is continuing and has not been cured.

The DIP Maturity Date may be extended at the sole option and discretion of the Lender.

**CLOSING DATE:** April 28, 2011

**DIP CREDIT FACILITY AVAILABILITY:** Availability of the initial drawdown of the DIP Credit Facility will be subject to the Conditions Precedent to Close and the other conditions described herein.

Availability of further draw-downs under the DIP Credit Facility will be at the sole option and discretion of the Lender.

**REPAYMENT:** All outstanding DIP Credit Facility loans, together with all interest accrued in respect thereof and all other amounts owing under the DIP Credit Facility will be payable in full on the Maturity Date.

**VOLUNTARY PREPAYMENTS /CANCELLATIONS:** The Borrower may prepay any amounts outstanding under the DIP Credit Facility at any time prior to the DIP Maturity Date without any premium, penalty or interest.

**USE OF PROCEEDS:** The DIP Credit Facility shall be used to provide for working capital, essential maintenance capital expenditures and other ordinary course expenditures as outlined in the Cash Flows.

**SECURITY:** To secure all obligations of the Borrower under or in connection with the DIP Credit Facility, the Lender shall be granted a super priority court-ordered charge (the "DIP Charge") over all present and after-acquired property, assets and undertakings of the Borrower ranking in priority to all other creditors, interest holders, lien holders and claimants of any kind whatever except for a court ordered administrative charge to secure payment of professional fees (the "Administration Charge").

**PERMITTED ENCUMBRANCES AND PRIORITY** All collateral will be free and clear of other liens, encumbrances and claims, except for (a) the Administration Charge, (b) charges created by court order and charges to be set forth in the definitive DIP Credit Facility documentation, if any, the amount secured by, and the priority of, each of which shall be acceptable to the Lender in its sole discretion, (c) existing validly perfected liens granted by the Borrower prior to the date hereof specifically and only in respect of purchase-money equipment loans, financing leases and real property mortgages, and which shall collectively, not exceed an amount satisfactory to the Lender (collectively, the "Permitted Encumbrances").

Permitted Encumbrances referred to in (c) above shall be subordinate to the DIP Charge except as set forth by court order, which shall be in form and substance satisfactory to the Lender in its sole discretion, or as otherwise agreed to in writing by the Lender in its sole discretion.

**INTEREST RATES:**

Interest on the DIP Credit Facility shall accrue at the rate of 8% per annum and shall be due and payable on the DIP Maturity Date.

The Borrower shall not be obligated to pay any interest under the definitive DIP Credit Facility documentation to the extent such interest exceeds the effective annual rate of interest on any credit made available thereunder that will be lawfully permitted under the *Criminal Code (Canada)* and any such obligation shall be deemed to be reduced in accordance with the maximum rate of interest lawfully permitted under the *Criminal Code (Canada)* without affecting the remaining terms and conditions of such definitive DIP Credit Facility documentation.

**DOCUMENTATION:**

Should the Lender require additional and/or definitive documentation such documentation shall be in form and substance satisfactory to the Lender and the Lender's counsel. Should the Lender fund the DIP credit facility prior to or in the absence of definitive documentation then all funding on the part of the Lender shall be on the terms as set forth in this summary of terms and conditions, all of which are agreed by the Borrower. All Orders of the court and motions relating thereto, will be in form and substance acceptable to the Lender and the Lender's counsel.

**CONDITIONS  
PRECEDENT TO  
CLOSE:**

Those customarily required for similar debtor-in-possession financings, including, without limitation, the following:

1. The Borrower has filed the NOI to make a proposal to creditors under the BIA, naming BDO as the Proposal Trustee;
2. The Court has approved the Sales Process to be conducted by the Proposal Trustee (for the business and assets of the Borrower to either be sold or refinanced) on terms acceptable to the Lender;
3. The parties have entered into legal documentation, including court orders and a Resolution of the Board of Directors approving the execution by the Borrower of this DIP Credit

- 4 -

Facility;

4. The Court has approved the terms of the DIP Credit Facility and has provided to the Lender a second charge, subsequent only to the Administration Charge, upon the assets of the Borrower on terms acceptable to the Lender; and
5. The fees of the Borrower and the Lender's legal counsel and of BDO shall have been paid up to date as at the first advance hereunder.

**COVENANTS:**

The definitive DIP Credit Facility documentation, if any, will contain covenants including those affirmative, negative and financial covenants customarily found in loan documentation for similar debtor-in-possession financings and others appropriate in the judgment of the Lender for the DIP Credit Facility including the following, without limitation:

1. The Borrower shall maintain in good standing at all times all insurance coverage as is customarily carried by companies which are engaged in the same or similar businesses;
2. The Borrower shall maintain in good standing all material contracts;
3. The Borrower will cooperate with the Proposal Trustee to provide information and answers to questions from potential purchasers, as well as all other tasks associated with the Process;
4. The Borrower will keep all vacation and statutory remittances and other super priority amounts current.
5. The Borrower shall provide full disclosure in respect of the NOI, the Sales Process to be undertaken by the Proposal Trustee, and any issues related thereto to the Lender and the Proposal Trustee on an ongoing basis and upon request by the Lender or the Proposal Trustee;
6. The Borrower shall cooperate with all reasonable requests of the Lender and the Proposal Trustee required in connection with the NOI, the Sales Process and any issues related thereto;
7. The Borrower shall instruct the Proposal Trustee to keep the Lender fully informed on a contemporaneous basis with respect to the Sales Process and any matters relating thereto;



- 8. The Borrower shall conduct all activities in accordance with Cash Flows approved by the Lender and reviewed by the Proposal Trustee;
- 9. The Borrower shall not make any commitments, purchases or payments that are not contemplated by or are in excess of the amounts in the Cash Flows;
- 10. The Borrower will not pursue any third party financing without the prior approval of the Lender and/or without the prior approval of the Lender;
- 11. The Borrower shall not create any liens upon any of its property without the prior approval of the Lender;
- 12. The Borrower shall not sell, assign, lease, transfer or otherwise dispose of any assets without the prior approval of the Lender;
- 13. The Borrower shall not seek or consent to any plan of reorganization or liquidation without the prior approval of the Lender; and
- 14. The Borrower shall maintain current the payment of all professional fees to Borrower's legal counsel, BDO, the Proposal Trustee's legal counsel (if any) and the Lender's legal counsel as required to be paid pursuant to this DIP Facility or any Court Order.

**REPORTING  
REQUIREMENTS:**

The reporting requirements of the Borrower shall include, but not be limited to the following:

- 1. The Borrower will keep the Lender and the Proposal Trustee informed of all solicitations of interest and any other information requested by the Lender relating to the Sales Process;
- 2. The Borrower will provide on a monthly basis a statement of actual cash flows for the prior month with a comparison to the projected cash flows for the same period together with a rolling 13 week cash flow forecast with a comparison with reasonably detailed commentary on the significant negative variances between the actual results and the Cash Flows within 6 business days at the end of each month; and
- 3. The Borrower shall report any significant negative variances to the Lender and the Proposal Trustee.

**EVENTS OF  
DEFAULT:**

The definitive DIP Credit Facility documentation, if any, will contain events of default, including those customarily found in similar debtor in possession financings and others (including, without limitation, certain bankruptcy related events of default to be determined) appropriate in the judgment of the Lender, including, without limitation, the following events of default, unless agreed to or waived by the Lender:

1. The stay of proceedings in favour of the Borrower is lifted, expires or ceases to be in effect, the Sales Process or the powers of the Proposal Trustee are revoked or amended by any court order in any manner other than as may be acceptable to the Lender, the court makes any order which affects the priority of the DIP Charge in favour of the Lender, there occurs any breach of any covenant or term of this DIP Facility (including but not restricted to the covenant to maintain cash flows in accordance with projections)
2. Any change in the management of the Borrower, unless approved by the Lender, or if management fails to cooperate in the Sales Process;
3. There ceases to be a functioning board that is able to make decisions at the board level;
4. The Borrower ceases or threatens to cease to carry on business in the manner contemplated by the Borrower, the Proposal Trustee and the Lender during the NOI Proceedings;
5. Except for the filing of the NOI as contemplated herein, any material adverse change in the business of the Borrower (in the opinion of the Lender occurring after the filing of the NOI to the financial condition of the Borrower that occurs and is not cured within five business days;
6. Failure of the Borrower to pay any amounts when due and owing thereafter;
7. Failure of the Borrower to comply with the Cash Flows or any negative variance that is greater than 20% on a net aggregate basis between actual receipts and disbursements and the Cash Flow in any given month;
8. Any representation or warranty by the Borrower that shall be incorrect or misleading in any material respect when made;

Handwritten signature and initials, possibly "GN" with a large "X" below it.



- 7 -

and

9. Failure by the Borrower to perform or comply with any other term or covenant of this Term Sheet or other DIP documentation and such default remains un-remedied for a period of three business days.

**REMEDIES:**

Upon the occurrence of an Event of Default, whether or not there is availability under the DIP Credit Facility, without any notice or demand whatsoever, the right of the Borrower to receive any advance or other accommodation of credit may be terminated by the Lender with any advances made thereafter being in the sole discretion of the Lender, the Lender shall be entitled, in addition to all other remedies at law and under any security or other agreement, to continue to exercise its rights to notify and direct account debtors of the Borrower to pay accounts receivable directly to the Lender.

Without limiting the foregoing, upon the occurrence of an Event of Default, the Lender shall have the right to exercise all other customary remedies, including, without limitation, the right to realize on all collateral without the necessity of obtaining further relief or order from any Bankruptcy Court.

**EXPENSES:**

The Borrower shall pay all of the Lender's legal expenses, whether or not any of the transactions contemplated hereby are consummated, as well as all expenses of the Lender in connection with the administration of the loan documentation. The Borrower shall also pay the expenses of the Lender in connection with the ongoing monitoring of the DIP Credit Facility and the enforcement of any of the definitive DIP Credit Facility documentation.

**INDEMNITY:**

The Borrower will indemnify and hold harmless the Lender and each of their affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Person") from and against any and all suits, actions, proceedings, orders, claims, damages, losses, liabilities and expenses (including reasonable legal fees and disbursements and other costs of investigation or defence, including those incurred upon any appeal) that may be instituted or asserted against or incurred by any such Indemnified Person as a result of or in connection with credit having been extended, suspended or terminated under the DIP Credit Facility, the definitive DIP Credit Facility documentation or the use of the proceeds thereof, and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder or thereunder and any actions or failures to act in connection therewith including the taking of any enforcement actions by the Lenders, including any and all environmental liabilities and legal costs and

expenses arising out of or incurred in connection with disputes between or among any parties to any of the definitive DIP Credit Facility documentation.

**ASSIGNMENTS AND PARTICIPATIONS:**

The Lender will be permitted to assign loans and commitments under the DIP Credit Facility without the consent of (but with notice to) the Borrower in accordance with customary terms. All assignments will require the consent of the Lender not to be unreasonably withheld or delayed.

**CREDIT BIDDING:**

Notwithstanding anything herein to the contrary, the Lender shall be entitled to credit bid the Maximum DIP Credit Facility Amount plus any accrued Interest and unpaid Expenses.

**TAXES:**

All payments to the Borrower under the DIP Credit Facility to the Lender, including any payments required to be made from and after the exercise of any remedies available to the Lender upon an Event of Default, shall be made free and clear of, and without reduction for or on account of, any present or future taxes, levies, imposts, duties, charges, fees, deductions or withholdings of any kind or nature whatsoever or any interest or penalties payable with respect thereto now or in the future imposed, levied, collected, withheld or assessed by any country or any political subdivision of any country, but excluding any reduction for any amount required to be paid by the Borrower under subsection 224(2.2) of the *Income Tax Act* (Canada) or a similar provision of that or any other taxation statute (collectively, "Taxes"); provided, however, that if any Taxes or required by applicable law to be withheld ("Withholding Taxes") from any amount payable to the Lender under any DIP Credit Facility, the amount so payable to the Lender shall be increased to the extent necessary to yield to the Lender on a net basis after payment of all Withholding Taxes, the amount payable under such DIP Credit Facility at the rate or in the amount specified in such DIP Credit Facility and the Borrower shall provide evidence satisfactory to the Lender that the Taxes have been so withheld and remitted.

**FURTHER ASSURANCES:**

The Borrower shall, at its expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the Lender may reasonably request for the purpose of giving effect to this Term Sheet.

**AMENDMENTS, WAIVERS, ETC.:**

No waiver or delay on the part of the Lender in exercising any right of privilege hereunder or any other DIP Credit Facility will operate as a waiver hereof or thereof unless made in writing and delivered in

accordance with the terms of this Term Sheet.

**SEVERABILITY:**

Any provision in any DIP Credit Facility which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

**ENTIRE  
AGREEMENT;  
CONFLICT:**

This Term Sheet including the schedule hereto constitutes the entire agreement between the parties relating to the subject matter hereof. To the extent that there is any inconsistency between this Term Sheet and any of the other DIP credit documentation, this Term Sheet shall govern.



**COUNTERPARTS  
AND FACSIMILE  
SIGNATURES**

The Term Sheet may be executed in any number of counterparts and by facsimile or other electronic transmission, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this Term Sheet by signing any counterpart of it

**NOTICES**

Any notice, requests or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the attention of the person as set forth below:

To the Borrower:

Scott White  
Parlay Entertainment Inc.  
2305 Wycroft Rd, 2<sup>nd</sup> Floor  
Oakville, ON L6L 6R2

Tel: (905) 337-6505  
Fax: (905) 337-2395  
Email: [swhite@parlaygroup.com](mailto:swhite@parlaygroup.com)

With a copy to:

Justin Fogarty/ Renée Brosseau  
HeenanBlaikie LLP  
Bay Adelaide Centre  
333 Bay Street, Suite 2900  
Toronto, ON M5H 2T4

Tel: (416) 643.6992  
Fax: 1 (866) 846 2913  
Email: [rbrosseau@heenan.ca](mailto:rbrosseau@heenan.ca) / [jfogarty@heenan.ca](mailto:jfogarty@heenan.ca)

To the Lender:

MPProjects Assets S.A



c/o Hector Fallas Vargas  
Calle 53 Este, Urb Marbella,  
Torre MMG 2º piso, Panamá,  
República de Panamá.


Tel: (506) 2288-6464  
Fax: (506) 2288-6565  
Email: [hfallas@nccabogados.com](mailto:hfallas@nccabogados.com)

Any such notice shall be deemed to be given and received, when received, unless received after 5:00 EST or on a day other than a business day, in which case the notice shall be deemed to be received the next business day.

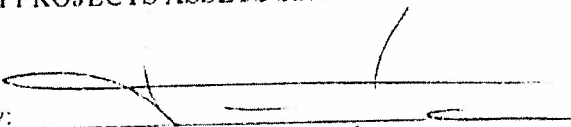
**GOVERNING LAW:** This DIP Credit Facility shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

DATED, THIS 25<sup>th</sup> DAY OF APRIL 2011

PARLAY ENTERTAINMENT INC.

By:   
Name: SCOTT F. WHITE  
Title: CEO

MPPROJECTS ASSETS S.A.

By:   
Name: HECTOR FALLAS VARGAS  
Title: PRESIDENT

SCHEDULE "A"  
CASH FLOW PROJECTIONS

HDdecs - 10275401v1

*JLC*

Parlay Entertainment Inc.  
Cash Forecast  
April 29, 2011 to July 22, 2011

	1 15-Apr	2 22-Apr	3 29-Apr	4 6-May	5 13-May	6 20-May	7 27-May	8 3-Jun	9 10-Jun	10 17-Jun	11 24-Jun	12 1-Jul	13 8-Jul
<b>Cash Receipts</b>													
Receivables from Customers													
Customer #1 deposit (PEL)				150,000			250,000	150,000				50,000	
Customer # 2 deposit (PEL)													
Smart (15,000 pounds starting) (PEL)													
Intervention (PGL)													
Says in PGL													
Video King (PEI)				3,400		2,400			3,400	2,400			3,400
207 Media (PEI) - rent				8,500					8,500				8,500
207 Media (PEI) RB				3,000					3,000				3,000
207 Media (PEI) intruded service fee													
Double B (PEL)													
PAF (PEL)													
Expedit (PEL)							49,730						
Bert 24 (PEL)							3,700				3,700		
Palacos (PMAL)							4,330				4,330		
Soccer Millionaire (PGL)							3,000				3,000		
Says in PGL											12,000		
First Nation (PGL)													
Says in PGL							33,000						
HST refunds							(33,000)						
2010 corporate tax refund							5,000				5,000		
<b>Total Cash Receipts</b>				154,800		7,400	327,760	150,000	14,900	2,400	28,030	50,000	14,900

	1 15-Apr	2 22-Apr	3 29-Apr	4 6-May	5 13-May	6 20-May	7 27-May	8 3-Jun	9 10-Jun	10 17-Jun	11 24-Jun	12 1-Jul	13 8-Jul
<b>Cash Disbursements</b>													
<b>Purchases</b>													
Overhead Costs													
Payroll - gross				65,000		65,000		65,000		65,000		65,000	
Vacation pay				15,633									
Pericom (Perry Malone)				11,300		11,300					11,300		
Scott F. White Bakerster and Solicitor				13,407		13,407					13,407		
Manulife - health benefits				7,700		7,700					7,700		
RRC - LTD				750		750					750		
Expenses - CIBC VISA						3,000					3,000		
Expenses - TD Canada Trust						1,000					1,000		
Overhead Cost													
Rent (gross rent)				15,000				15,000				15,000	
Toronto Maintenance (cleaners)				1,300				1,300				1,300	
Telephone - One Connect							3,000				3,000		
Telephone - Bell (all 7 line accounts)				800			800				800		
Internet - Bank (catch up own monthly)				7,300			3,600				3,600		







**PPSACanada**

Phone: (416) 225-5511

Ontario Search Results  
ID 839794

Your Ref No. KEN PEARL

Searched : 20APR2011 03:03 PM  
Printed : 21APR2011 03:47 PM

PSSME01 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM 04/20/2011  
CCCL300 ENQUIRY REQUEST 15:24:22

FILE CURRENCY 19APR 2011

SEARCH TYPE (BD,IN,IS,MV) :  
SEARCH CRITERIA :

SUB-SEARCH  
RETRIEVE REGISTRATIONS RECORDED SINCE (DDMMYYYY) :  
RESPONSE TYPE (V,P) : V RESPONSE LANGUAGE (E,F) : E PICK-UP CODE :  
RESPONSE MAILING ADDRESS  
NAME :  
ADDRESS :  
CITY : PROV :  
POSTAL CODE :  
ENQUIRY FOR "PARLAY ENTERTAINMENT INC." ENDED

NO MATCH

"NO MATCH" MEANS THAT NO LIENS WERE FOUND IN THE ONTARIO  
PERSONAL PROPERTY REGISTRY BASED ON THE SEARCH CRITERIA YOU SPECIFIED

END OF REPORT

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL  
OF PARLAY ENTERTAINMENT INC., INSOLVENT PERSON

Court File No: 32-1494254  
Estate File No. 32-1494254

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

Proceeding commenced at Toronto

**APPLICANT'S MOTION RECORD**

Heenan Blaikie LLP  
Bay Adelaide Centre  
333 Bay Street, Suite 2900  
P.O. Box 2900  
Toronto, ON M5H 2T4

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Lawyers for the Applicant