

TAB E

ASSET PURCHASE AGREEMENT**BETWEEN****PARLAY ENTERTAINMENT INC.****AND****BDO CANADA LIMITED, in its capacity
as proposal trustee of PARLAY ENTERTAINMENT INC.,
and not in its personal capacity****AND****M PROJECTS ASSETS S.A****DATED AS OF MAY 30, 2011**

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement is dated as of May 30, 2011, between Parlay Entertainment Inc., a corporation incorporated under the laws of Ontario (“**Parlay**”), BDO Canada Limited, a corporation incorporated under the laws of Canada, in its capacity as proposal trustee of Parlay, and not in its personal capacity (the “**Proposal Trustee**”), and M Projects Assets S.A., a corporation incorporated under the laws of the Republic of Panama (the “**Purchaser**”).

WITNESSETH

WHEREAS on May 4, 2011, Parlay filed a notice of intention to make a proposal (the “**NOI Proceedings**”) pursuant to the *Bankruptcy and Insolvency Act* (the “**BIA**”) naming the Proposal Trustee as proposal trustee;

AND WHEREAS pursuant to an order of the Honourable Mr. Justice Cumming of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated May 9, 2011 Parlay was, *inter alia*, authorized and directed to enter into a debtor-in-possession facility (the “**DIP Facility**”) with the Purchaser;

AND WHEREAS pursuant to an order (the “**Stalking Horse And Bidding Procedures Order**”) of the Honourable Mr. Justice Morawetz of the Court dated June 3, 2011, *inter alia*, (a) the Proposal Trustee was authorized and directed to market for sale Parlay’s business (the “**Purchased Business**”) with the assistance of Parlay (the “**Sales Process**”) pursuant to bidding procedures; and (b) Parlay was authorized and directed to enter into this Agreement for the purpose of conducting the Sales Process;

AND WHEREAS the Proposal Trustee on behalf of Parlay has agreed to sell, assign and transfer the Purchased Assets to the Purchaser, and the Purchaser has agreed to purchase the Purchased Assets and assume the Assumed Liabilities from Parlay upon the terms and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the respective covenants, representations and warranties made herein, and of the mutual benefits to be derived hereby (the sufficiency of which are acknowledged), the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions.

Capitalized terms used but not otherwise defined herein shall have the respective meanings set forth below:

“**Accounts Receivable**” means all accounts receivable, book debts, trade accounts, notes receivable and other debts due or accruing due to Parlay as of the Closing Date, together with all invoices, chattel paper, sale or purchase orders and other records, howsoever stored or recorded, in respect thereof, excluding Tax receivables and refunds.

“**Accounts Receivable Adjustment**” means the amount equal to the aggregate invoice amount of the Accounts Receivable as of May 16, 2011 (being \$100,006.60 as set out in Schedule 2.1.1(a)) minus the aggregate invoice amount of the Accounts Receivable as of the day immediately prior to the Closing Date.

“**Action**” means any litigation, action, suit, charge, binding arbitration or other legal, administrative or judicial proceeding.

“**Administration Charge**” has the meaning set forth in the May 9, 2011 order of the Honourable Mr. Justice Cumming (the “**May 2011 Order**”) a copy of which is attached as Schedule 1.1.(a)

“**Affiliate**” means, as to any Person, any other Person that directly or indirectly through one or more intermediaries Controls, or is under common Control with, or is Controlled by, such Person.

“**Agreement**” means this Asset Purchase Agreement and all Schedules attached hereto and thereto and all amendments hereto and thereto made in accordance with Section 9.3.

“**Allocation Schedule(s)**” has the meaning set forth in Section 2.2.3.

“**Alternative Transaction**” means any sale, transfer or other disposition of the Purchased Assets on an *en bloc* or piecemeal basis to any Third Party or Third Parties pursuant to the Stalking Horse and Bidding Procedures Order or otherwise authorized by the Court.

“**Ancillary Agreements**” means, in each case in a form reasonably acceptable to Parlay and the Purchaser: (i) a General Conveyance for the assignment and conveyance of the Purchased Assets to the Purchaser and the assignment and assumption of the Assumed Liabilities by the Purchaser; and (ii) an Intellectual Property Assignment Agreement and any other assignments or instruments with respect to any Intellectual Property included in the Purchased Assets for which an assignment or instrument is required to assign, transfer, convey and deliver such Purchased Assets to the Purchaser or to record such assignment, transfer or conveyance with the appropriate government offices, domain name registrars or other similar authorities.

“**Approval and Vesting Motion**” has the meaning set forth in Section 4.1(e).

“**Approval and Vesting Order**” has the meaning set forth in Section 4.1(e).

“**Assigned Contracts**” means those Contracts of Parlay listed in Schedule 2.1.1(e) other than any of those Contracts in respect of which any Consent is necessary to effect the assignment thereof to the Purchaser which shall not have been given on or prior to the Closing Date.

“**Assumed Liabilities**” has the meaning set forth in Section 2.1.3.

“**Auction**” has the meaning set forth in Section 4.1(b).

“**Bidding Procedures**” has the meaning set forth in Section 4.1(b).

“**Break-Up Fee**” has the meaning set forth in Section 8.2(a).

“**Business Day**” means a day on which banks listed in Schedule I to the *Bank Act (Canada)* are open for business (Saturdays, Sundays and statutory holidays excluded) in Toronto, Canada.

“**Business Information**” means all books, records, files, data, documentation and sales literature in the possession or under control of Parlay (other than information which is the property of Third Parties), that are used or held for use in connection with the Purchased Business, including information, research and development, studies, business plans, policies and procedures, equipment manuals and materials and procurement documentation used in the Purchased Business, but excluding any Employee Records for Employees or former employees who are not Transferred Employees.

“**Closing**” has the meaning set forth in Section 2.3.1.

“**Closing Adjustments Statement**” means the accounting statements prepared by the Proposal Trustee setting out the amount and calculation of the Accounts Receivable Adjustment and the amount and calculation of the Inventory Adjustment.

“**Closing Date**” has the meaning set forth in Section 2.3.1.

“**Consent**” means any approval, authorization, consent, order, license, permission, permit (including any environmental permit), qualification, exemption or waiver by any Government Entity or other Third Party.

“**Contract**” means any legally binding contract, agreement, obligation, license (including any license of Intellectual Property), undertaking, instrument, equipment lease, ground lease, land lease, commitment or other arrangement, whether written or oral.

“**Control**”, including, with its correlative meanings, “Controlled by” and “under common Control with”, means, in connection with a given Person, the possession, directly or indirectly, of the power to either (i) elect more than fifty percent (50%) of the directors of such Person or (ii) direct or cause the direction of the management and policies of such Person, whether through the ownership of securities, Contract or otherwise.

“**Copyrights**” means all Canadian and foreign copyrights and copyrightable subject matter, whether registered or unregistered, including all Canadian copyright registrations and applications for registration and foreign equivalents, all moral rights and rights of attribution and integrity, all common law copyright rights, and all rights to register and obtain renewals and extensions of copyright registrations, together with all other copyright interests accruing by reason of any international copyright convention or treaty.

“**Court**” has the meaning set forth in the preamble to this Agreement.

“**Deposit**” has the meaning set forth in Section 2.2.2.

“**DIP Charge**” has the meaning set forth in the May 2011 Order.

“**DIP Facility**” has the meaning set forth in the recitals to this Agreement.

“**DIP Lender**” has the meaning set forth in the recitals to this Agreement.

“**Employee**” means each employee of Parlay employed by Parlay at the Time of Closing.

“**Employee Information**” means all information provided to the Purchaser by the Proposal Trustee in respect of the Employees, including all Employee Records.

“**Employee Records**” means books, records, files or other documentation, including in electronic form, with respect to any Employee or any former Employee of Parlay.

“**Equipment**” means all those items of tangible, personal or movable property owned or leased by Parlay that are held or used in connection with the Purchased Business, excluding any Inventory, and including all express or implied warranties with respect thereto.

“**Excluded Assets**” has the meaning set forth in Section 2.1.2.

“**Excluded Contract**” means any Contract of Parlay that is not an Assigned Contract.

“**Excluded Liabilities**” has the meaning set forth in Section 2.1.4.

“**Expense Reimbursement**” means all reasonable costs and expenses of the Purchaser incurred in connection with the development, negotiation, execution, delivery and approval by the Court of this Agreement and the consummation of the transactions contemplated hereby (including, without limitation, reasonable fees and expenses of counsel and other professional consultants related to the transactions contemplated hereby, preparing and negotiating this Agreement and documents related hereto, and investigating Parlay, the Purchased Business or the Purchased Assets) up to a maximum amount of \$50,000.

“**Government Entity**” means any Canadian or foreign federal, territorial, provincial, state, municipal or local governmental authority, quasi-governmental authority, instrumentality, court (including the Court), government or self-regulatory organization, bureau, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing having jurisdiction.

“**HST**” means all tax payable under Part IX of the *Excise Tax Act (Canada)* (including both the Federal and provincial harmonized portion of those taxes) or under any provincial legislation imposing a similar value added or multi-stage tax.

“**Insolvency Laws**” means the *Bankruptcy and Insolvency Act (Canada)*, and the applicable insolvency laws of any jurisdiction other than Canada where any Insolvency Proceedings are commenced.

“Insolvency Proceedings” means the NOI Proceedings, as well as any other voluntary or involuntary bankruptcy, insolvency, administration or similar judicial proceedings concerning Parlay that are commenced from time to time.

“Intellectual Property” means all Canadian and foreign intellectual and industrial property rights of any kind, including all: (i) Trademarks; (ii) Patents; (iii) inventions, novel devices, processes, concepts, formulae, models, algorithms, compositions of matter, methods, techniques, improvements, observations, discoveries, apparatuses, machines, designs, expressions, theories and ideas, whether or not patentable and whether or not a patent has been issued or a patent application has been made therefor; (iv) Copyrights; (v) master works; (vi) Trade Secrets, Know-How, and other proprietary, confidential, technical or Business Information; (vii) Software; (viii) telephone; facsimile numbers; (ix) uniform resources locators and Internet protocol addresses; and (x) rights in the foregoing and in other similar intangible assets, and all rights and remedies (including the right to sue for and recover damages, profits and any other remedy) for past, present, or future infringement, misappropriation, or other violation relating to any of the foregoing.

“Inventory” means any inventories of raw materials, manufactured and produced goods, work in process, packaging, stores and supplies and finished goods inventories, in each case owned by Parlay and held or used in connection with the Purchased Business.

“Inventory Adjustment” means the amount equal to the aggregate cost of the Inventory as set out in the listing of Inventory prepared by Parlay with the assistance of the Proposal Trustee as of May 16, 2011 (being \$10,000 as set out in Schedule 2.1.1(c)), minus the aggregate cost of the Inventory as set out in the listing of Inventory prepared by Parlay with the assistance of the Proposal Trustee as of the day immediately prior to the Closing Date, in each case using the same cost methodology.

“Know-How” means scientific, technical, manufacturing, financial, marketing, practical and other similar knowledge or experience of Parlay used in the operation of the Purchased Business.

“Law” means any Canadian or foreign federal, territorial, provincial, state, local or municipal statute, law, common law, ordinance, rule, regulation, order, writ, injunction, directive, judgment, decree or policy or guideline having the force of law.

“Liabilities” means debts, liabilities and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured or determined or undeterminable, including those arising under any Law or Action and those arising under any Contract or otherwise, including any Tax liability.

“Lien” means all rights, titles, interests, security interests (whether contractual, statutory or otherwise), liens, hypothecs, hypothecations, rights of accession, mortgages, charges, pledges, assignments, estates, trusts or deemed trusts (whether contractual, statutory or otherwise), judgments, agreements, executions, writs of seizure and sale, options, disputes, debts, liabilities (whether direct, indirect, absolute or contingent), Taxes,

executions, levies or other encumbrances or claims of any kind or nature, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, and whether liquidated or contingent.

“**NOI Proceedings**” has the meaning set forth in the recitals to this Agreement.

“**Non-Assignable Contract**” has the meaning set out in Section 2.1.6.

“**Order**” means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of a Government Entity.

“**Ordinary Course**” means the ordinary course of the Purchased Business consistent with recent past practice with recognition that the Purchased Business is operating pursuant to an NOI proceeding.

“**Outside Date**” means August 31, 2011, or such other date as the Purchaser and Parlay (with the consent of the Proposal Trustee) may agree in writing.

“**Party**” or “**Parties**” means individually or collectively, as the case may be, Parlay and the Purchaser.

“**Parlay**” has the meaning ascribed thereto in the preamble to this Agreement.

“**Patents**” means all Canadian and foreign (whether national or multinational) statutory invention registrations, patents (including certificates of invention and other patent equivalents), patent applications, provisional patent applications and patents issuing therefrom, industrial designs and industrial models, as well as all reissues, divisions, substitutions, continuations, continuations-in-part, patent disclosures, extensions and re-examinations, and all rights therein provided by multinational treaties or conventions.

“**Permitted Liens**” means (i) statutory Liens for Taxes; and (ii) the interest of any lessor in respect of any operating lease (which, for greater certainty, does not constitute a security interest within the meaning of such term under the *Personal Property Security Act (Ontario)*) which is an Assigned Contract.

“**Person**” means an individual, a partnership, a corporation, an association, a limited or unlimited liability company, a joint stock company, a trust, a joint venture, an unincorporated organization or other legal entity or Government Entity.

“**Pre-paid Expenses**” means all pre-paid expenses of Parlay, including utilities, lease payments, royalties, software licenses, software maintenance and similar items as at the Closing Date.

“**Proposal Trustee**” has the meaning set forth in the recitals to this Agreement.

“**Purchased Business**” has the meaning ascribed thereto in the preamble to this Agreement.

“**Purchase Price**” has the meaning set forth in Section 2.2.1.

“**Purchased Assets**” has the meaning set forth in Section 2.1.1

“**Purchaser**” has the meaning set forth in the preamble to this Agreement.

“**Regulatory Approvals**” means the approval of any Governmental Entity required under applicable legislation to acquire the Purchased Assets as described on Schedule 2.1.1(i).

“**Sale Hearing**” has the meaning set forth in Section 4.1(b).

“**Sale Motion**” has the meaning set forth in Section 4.1(b).

“**Software**” means all computer software programs (whether in source code, object code or other form) and software systems, including all websites, algorithms, databases, compilations and data, tool sets, compilers, higher level or “proprietary” languages, related documentation and technology, technical manuals and materials, and any rights relating to the foregoing.

“**Stalking Horse and Bidding Procedures Order**” has the meaning set forth in the Recitals and in Section 4.1(c).

“**Statement of Adjustments**” has the meaning set forth in Section 2.3.3(c).

“**Subsidiaries**” means the following wholly-owned subsidiaries of Parlay: Parlay Entertainment Limited, Parlay Games Limited, Parlay Malta (Holdings) Limited and Parlay (Malta) Limited.

“**Tax**” means any domestic or foreign federal, local, provincial, state, territorial or municipal tax or other imposition by any Government Entity, including Transfer Taxes and the following taxes and impositions: net income, gross income, capital, value added, goods and services, harmonized gross receipts, sales, use, ad valorem, business rates, transfer, franchise, profits, business, environmental, real or immovable property, municipal, school, Canada Pension Plan, withholding, workers’ compensation levies, payroll, employment, unemployment, employer health, occupation, social security, excise, stamp, customs, and all other taxes, fees, duties, assessments, deductions, contributions, withholdings or charges of the same or of a similar nature, however denominated, together with any interest and penalties, additions to tax or additional amounts imposed or assessed with respect thereto.

“**Tax Act**” means the *Income Tax Act (Canada)* and the regulations promulgated thereunder, as amended from time to time.

“**Tax Authority**” means any local, municipal, regional, provincial, territorial, state, federal or other fiscal, customs or excise authority, body or officials anywhere in the world with responsibility for, and legally competent to impose, collect or administer, any form of Tax.

“**Tax Returns**” means all returns, reports (including elections, declarations, disclosures, schedules, estimates and information returns) and other information filed or required to be filed with any Tax Authority relating to Taxes.

“**Third Party**” means any Person that is neither a Party nor an Affiliate of a Party.

“**Time of Closing**” means 10:00 a.m. EST on the Closing Date.

“**Trade Secrets**” means trade secrets and other confidential or proprietary ideas, concepts, methods, processes, formulae, models, methodologies, algorithms, reports, data, customer lists, mailing lists, business plans, market surveys, market research studies, information contained on drawings and other documents and information (including with respect to research, development and testing).

“**Trademarks**” means, together with the goodwill associated therewith, all Canadian, provincial and foreign trademarks, service marks, trade dress, logos, slogans, distinguishing guises and indicia, trade names (including all assumed or fictitious names under which the Purchased Business has been conducted), corporate names, business names, domain names, and any other indicia of source or sponsorship of goods or services, whether or not registered, including all common law rights, and registrations, applications for registration and renewals thereof, including all marks registered in the Canadian Intellectual Property Office or in the trademark office of any other jurisdiction and all rights therein, including those provided by multinational treaties or conventions.

“**Transaction Documents**” means this Agreement, the Ancillary Agreements and all other documents or agreements to be entered into or delivered by any Party pursuant to this Agreement.

“**Transfer Taxes**” means all goods and services, harmonized sales, excise, use, transfer, gross receipts, documentary, filing, recordation, value-added, stamp, stamp duty reserve, and all other similar Taxes, however denominated (including any real or immovable property transfer Taxes and conveyance and recording fees).

“**Transferred Employee**” has the meaning set forth in Section 6.1.1(b).

“**Transferred Intellectual Property**” means all Intellectual Property owned or licensed under a Contract by Parlay in connection with the Purchased Business.

“**Websites**” means all internet websites owned by Parlay including all domain names of such websites that are owned by Parlay.

1.2 Interpretation.

1.2.1 Gender and Number.

Any reference in this Agreement to gender includes all genders and words importing the singular include the plural and vice versa.

1.2.2 Certain Phrases and Calculation of Time.

In this Agreement (i) the words “including” and “includes” mean “including (or includes) without limitation” and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it, (ii) the terms “hereof”, “herein”, “hereunder”, and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement and not to any particular provision of this Agreement, and Article, Section, paragraph and Schedule references are to the Articles, Sections, paragraphs and Schedules to this Agreement unless otherwise specified, and (iii) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding”. If the last day of any such period is not a Business Day, such period will end on the next Business Day.

When calculating the period of time “within” which, “prior to” or “following” which any act or event is required or permitted to be done, notice given or steps taken, the date which is the reference date in calculating such period is excluded from the calculation. If the last day of any such period is not a Business Day, such period will end on the next Business Day.

1.2.3 Headings, etc.

The inclusion of a table of contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect or be used in the construction or interpretation of this Agreement. All references in this Agreement to any “Section” are to the corresponding Section of this Agreement unless otherwise specified.

1.2.4 Currency.

All monetary amounts in this Agreement, unless otherwise specifically indicated, are stated in Canadian currency. All calculations and estimates to be performed or undertaken, unless otherwise specifically indicated, are to be expressed in Canadian currency. All payments required under this Agreement shall be paid in Canadian currency in immediately available funds, unless otherwise specifically indicated herein.

1.2.5 Statutory References.

Unless otherwise specifically indicated, any reference to a statute in this Agreement refers to that statute and to the regulations made under that statute as in force from time to time.

1.2.6 Schedules.

All Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set in full herein. Any capitalized terms used in any Schedule but not otherwise defined therein shall be defined as set forth in this Agreement.

ARTICLE 2
PURCHASE AND SALE OF PURCHASED ASSETS

2.1 Purchase and Sale.

2.1.1 Purchased Assets.

Subject to the terms and conditions of this Agreement, at the Closing, the Purchaser shall purchase, be assigned, vested with and assume from Parlay and Parlay shall sell, transfer, assign, convey and deliver to the Purchaser, all of Parlay's right, title and interest in and to the following properties and assets of Parlay (other than the Excluded Assets), personal or mixed, tangible or intangible, owned, or leased or licensed under an Assigned Contract, in or relating to the Purchased Business, on an "as is where is" basis (herein collectively called the "**Purchased Assets**"), free and clear of all Liens (other than Permitted Liens) pursuant to the Approval and Vesting Order:

- (a) the Accounts Receivable described on Schedule 2.1.1(a);
- (b) any refunds due from, or payments due on, claims with the insurers of Parlay in respect of any loss arising or occurring in respect of any of the Purchased Assets on or after the date hereof and prior to the Closing;
- (c) the Inventory described on Schedule 2.1.1(c);
- (d) the Equipment described on Schedule 2.1.1(d);
- (e) the Assigned Contracts described on Schedule 2.1.1(e);
- (f) the Business Information, subject to Sections 2.1.2(c) and 2.1.2(d);
- (g) Employee Information, except Employee Information for Employees who are not Transferred Employees;
- (h) the Transferred Intellectual Property described in Schedule 2.1.1(h);
- (i) the Websites;
- (j) the Regulatory Approvals described on Schedule 2.1.1(i);
- (k) all Pre-paid Expenses;
- (l) all goodwill associated with the Purchased Business, including all customer lists, files, data and information relating to past and present customers and prospective customers; and
- (m) all of the shares of Parlay Games Limited.

At any time prior to five (5) Business Days prior to the date of the Auction, the Purchaser may, in its discretion by written notice to the Proposal Trustee and Parlay,

designate any of the Purchased Assets (including any of the Assigned Contracts) as additional Excluded Assets, which notice shall set forth in reasonable detail the Purchased Assets so designated. The Purchaser acknowledges and agrees that there shall be no reduction in the Purchase Price if it elects to designate any Purchased Assets as Excluded Assets. Notwithstanding any other provision hereof, the Liabilities of Parlay under or related to any Purchased Asset excluded under this paragraph will constitute Excluded Liabilities.

2.1.2 Excluded Assets.

Notwithstanding anything in this Section 2.1 or elsewhere in this Agreement or in any of the Transaction Documents to the contrary, Parlay shall retain all of its right, title and interest in and to, and the Purchaser shall have no rights with respect to the right, title and interest of Parlay, as the case may be, in and to, the following assets (collectively, the “**Excluded Assets**”):

- (a) all cash and cash equivalents, including bank balances, term deposits, supplier deposits and similar instruments, including restricted cash supporting letters of credit;
- (b) the Excluded Contracts;
- (c) any books, records, files, documentation or literature other than (i) the Business Information, (ii) the Employee Records for Employees who do not become Transferred Employees, and (iii) such portion of the Business Information to the extent that Parlay is required by Law (including Laws relating to privacy) or by any agreement with a Third Party to retain (provided that copies of such information shall be provided to the Purchaser to the extent permitted by applicable Law or such agreement) and/or not to disclose;
- (d) the minute books and share registers of Parlay;
- (e) all rights of Parlay under this Agreement and the Ancillary Agreements;
- (f) all rights and claims of Parlay against any present or former director, officer or shareholder (direct or indirect) of Parlay or any Affiliate of Parlay;
- (g) all intercompany rights and claims between Parlay and any Affiliate of Parlay other than Parlay Games Limited;
- (h) all rights to Tax refunds, credits or similar benefits for any period prior to the date of this Agreement and relating to the Purchased Assets or the Purchased Business that are received with respect to Taxes;
- (i) a copy of any book, record, literature, list and any other written or recorded information constituting Business Information (the original of

which has already been assigned or transferred to the Purchaser) to which Parlay in good faith determines it is reasonably likely to need access for bona fide Tax or legal purposes;

- (j) shares of the Subsidiaries other than Parlay Games Limited; and
- (k) any assets not specifically listed in the definition of the Purchased Assets.

2.1.3 **Employees and Assumed Liabilities.**

The Purchaser shall offer employment to the Employees listed on Schedule 2.1.3 effective from and after the Closing Date, on substantially the same terms and conditions of employment as they currently have with Parlay. Notwithstanding the contents of Schedule 2.1.3, the Purchaser shall have the right to unilaterally amend such schedule in its sole discretion on or before July 29, 2011.

Upon the Closing, the Purchaser shall assume and become responsible for, and shall thereafter perform, discharge and pay when due, the following Liabilities of Parlay estimated as at May 16, 2011 to be the sum of \$1,393,822:

- (a) all accrued liabilities in respect of all of the Transferred Employees and all severance and termination obligations in respect thereof; and
 - (b) the Assigned Contracts.
- (collectively, the “**Assumed Liabilities**”).

2.1.4 **Excluded Liabilities.**

Notwithstanding any provision in this Agreement to the contrary, the Purchaser shall not assume nor shall the Purchaser be obligated to assume or be obligated to pay, perform or otherwise discharge any Liability of Parlay or any of its Affiliates other than the Assumed Liabilities (collectively, the “**Excluded Liabilities**”).

2.1.5 **Assignment and Assumption of Assigned Contracts.**

- (a) Subject to Section 2.1.6, all of the Assigned Contracts in force at the Closing shall be assigned by Parlay to, and shall be assumed by, the Purchaser at the Closing pursuant to Section 2.1.1(e)
- (b) Prior to Closing, each of the Parties shall use commercially reasonable efforts to obtain all Consents required to permit the assignment to the Purchaser of the Assigned Contracts. With respect to permits, licenses and approvals granted to Parlay, those permits, licenses and approvals are detailed in Schedule 2.1.5(b), Parlay covenants to cooperate with the Purchaser to ensure new permits, licenses, and agreements are granted to the Purchaser prior to Closing.

2.1.6 Non-Assignable Contracts.

To the extent that any Contract is not capable of being assigned to the Purchaser at the Closing without the Consent of the issuer thereof or counter-party thereto or any Third Party (including a Government Entity), and such Consent has not been obtained by the Closing Date (collectively, the “**Non-Assignable Contracts**”), this Agreement will not constitute an assignment or an attempted assignment thereof, unless and until any such Consent is obtained. Any payment to be made in order to obtain any Consent required by the terms of any Non-Assignable Contract shall be the sole responsibility of the Purchaser.

2.1.7 Ancillary Agreements.

In supplement of the Approval and Vesting Order and to the extent reasonably requested by the Purchaser as being necessary or desirable to effect the Closing on the terms hereof, Parlay and the Purchaser shall enter into (in consultation with the Proposal Trustee), execute and deliver the Ancillary Agreements on Closing.

2.1.8 Intellectual Property.

For greater certainty, the sale of any Intellectual Property to the Purchaser pursuant to Section 2.1.1 shall only include and extend to the Transferred Intellectual Property and shall not extend to or include any Intellectual Property owned or held by any Person other than Parlay.

2.1.9 As Is, Where Is As Is.

The Purchaser acknowledges and agrees that, notwithstanding anything else contained in this Agreement, the Purchased Business and the Purchased Assets and the Assumed Liabilities are sold (or licensed as the case may be) on an “as is, where is” basis and the Purchaser accepts the same in their present state, condition and location. No representation, warranty or covenant is expressed or implied by the Proposal Trustee or Parlay, including any warranties as to title, assignability, encumbrance, description, merchantability or fitness for a particular purpose, environmental compliance, condition, quantity or quality, or in respect of any other matter or thing whatsoever concerning the Purchased Business and the Purchased Assets or the sale thereof to the Purchaser hereunder. The disclaimer in this Section 2.1.9 is made notwithstanding the delivery of disclosure to the Purchaser or its directors, officers, employees, agents or representatives of any documentation or other information (including any financial projections or other supplemental data included in this Agreement and/or any Schedule) and such documentation or information is not warranted to be complete or accurate or correct and such description does not constitute part of the terms and conditions of the sale of the Purchased Assets or the assumption of the Assumed Liabilities.

2.2 Purchase Price.

2.2.1 Purchase Price.

Pursuant to the terms and subject to the conditions set forth in this Agreement, in consideration of the sale of the Purchased Assets in accordance with the terms hereof, the Purchaser shall, at the Closing:

- (a) assume from Parlay and become obligated to pay, perform and discharge, when due, the Assumed Liabilities;
- (b) pay to Parlay an amount of cash equal to \$500,000 less the amounts outstanding under the DIP Facility; and
- (c) credit bid the amount advanced under the DIP Facility.

(collectively the “**Purchase Price**”).

2.2.2 Deposit.

The Purchaser shall, concurrently with its execution and delivery of this Agreement, provide the Proposal Trustee with a deposit on account of the Purchase Price in the amount of USD \$100,000 (the “**Deposit**”). The Proposal Trustee shall hold the Deposit in a segregated, interest-bearing account. Moneys held pursuant to this Section 2.2.2 shall be free and clear of all Liens at all times. All interest earned on amounts held by the Proposal Trustee pursuant to this Section 2.2.2 shall automatically become a part of the Deposit as such interest or earnings accrue. The Deposit, including all accrued interest thereon, shall be returned to the Purchaser or retained by the Proposal Trustee as provided for in this Agreement.

2.2.3 Purchase Price Allocation.

No later than two (2) Business Days prior to the Closing Date, the Purchaser shall deliver to the Proposal Trustee and Parlay for the Proposal Trustee’s review and approval, allocation schedule(s) (the “**Allocation Schedule(s)**”) allocating the Purchase Price (including specific allocation of the Assumed Liabilities) on a dollar basis among the Purchased Assets to the extent permitted by applicable Law, provided that the amount allocated to the Accounts Receivable and Inventory shall not be greater than the book value for such Accounts Receivable and Inventory as of the date hereof. The Allocation Schedule(s) shall be reasonable and the Proposal Trustee agrees that, following its approval of the Allocation Schedule(s), such approval not to be unreasonably withheld, the Proposal Trustee shall sign the Allocation Schedule(s) and deliver an executed copy thereof to the Purchaser on Closing. The Purchaser and Parlay (with the assistance of the Proposal Trustee) will each file all Tax filings or elections in accordance with the Allocation Schedule(s) provided for in this Section 2.2.3.

For the purposes of determining the portion of the Purchase Price payable for Inventory, the Purchaser may take Inventory two (2) days prior to the Closing Date. For

the purposes of the determination of the portion of the Purchase Price payable for Inventory, there shall be excluded from Inventory any items which are obsolete or no longer usable.

2.3 Closing.

2.3.1 Closing Date.

The completion of the purchase and sale of the Purchased Assets and the assumption of the Assumed Liabilities (the “**Closing**”) shall take place at the offices of the Proposal Trustee, commencing at 10:00 a.m. local time on a mutually agreed upon date no later than two (2) Business Days after the day upon which all of the conditions set forth under Article 7 (other than conditions to be satisfied at the Closing, but subject to the waiver or fulfillment of those conditions) have been satisfied or, if permissible, waived by the Proposal Trustee, Parlay and/or the Purchaser (as applicable), or on such other place, date and time as shall be mutually agreed upon in writing by the Purchaser, Parlay and the Proposal Trustee (the day on which the Closing takes place being the “**Closing Date**”).

Legal title, equitable title and risk of loss with respect to the Purchased Assets will vest in the Purchaser and the Assumed Liabilities will be assumed by the Purchaser at the Closing.

2.3.2 Closing Actions and Deliveries.

(a)

- (i) On the day immediately prior to Closing, Parlay shall, with the assistance of the Proposal Trustee, deliver to the Purchaser a draft Closing Adjustments Statement, and Parlay shall cease the collection of all Accounts Receivable and the sale or disposition of all Inventory on such date.
- (ii) if the Purchaser disputes any amount set out in the Closing Adjustments Statement, then the Parties agree that such amount in dispute shall be included in the Statement of Adjustments and shall be settled in accordance with terms of Section 2.3.3.

(b) At the Closing:

- (i) Parlay (with the assistance of the Proposal Trustee) and the Purchaser shall deliver duly executed copies of and enter into the Ancillary Agreements and the Tax elections provided for in Section 5.2 to which it is contemplated that they will be parties, respectively;
- (ii) the Purchaser shall deliver to the Proposal Trustee an amount equal to the cash portion of the Purchase Price (minus the then amount of the Deposit which shall be applied by the Proposal Trustee on behalf

of Parlay on account of the satisfaction by the Purchaser of the Purchase Price) by wire transfer in immediately available funds to an account designated at least two (2) Business Days prior to the Closing Date by the Proposal Trustee by a written notice to the Purchaser;

- (iii) the Proposal Trustee shall deliver a certified copy of the Approval and Vesting Order; and
- (iv) each Party shall deliver, or cause to be delivered, to the other any other documents reasonably requested by such other Party in order to effect, or evidence the consummation of, the transactions contemplated herein or otherwise provided for under this Agreement.

2.3.3 Adjustments.

- (a) Parlay shall, with the assistance of the Proposal Trustee, prepare and deliver to the Purchaser at least five (5) Business Days prior to the Closing Date a statement of the adjustments (the “**Statement of Adjustments**”) to be made on Closing. The Statement of Adjustments shall have annexed to it complete details of the calculations used by Parlay to arrive at all debits and credits on the Statement of Adjustments and shall include (i) a list of all unpaid costs to be adjusted pursuant to this Section 2.3.3(a) if any, (ii) the amount of any loss or damage suffered in respect of the Purchased Assets that exceeds the amount of the insurance proceeds payable in respect of such Purchased Asset, (iii) the Accounts Receivable Adjustment, (iv) the Inventory Adjustment and (v) any other amount that may be adjusted in accordance with the terms of this Agreement. Notwithstanding the foregoing, in the event the Purchaser disputes any amount set out in the Closing Adjustments Statement pursuant to Section 2.3.2(a)(ii), the Statement of Adjustments shall be amended to include such disputed amount(s) which shall be determined in accordance with the provisions of Section 2.3.3. Parlay shall give the Purchaser access to Parlay’s working papers and back up materials in order to confirm the Statement of Adjustments.
- (b) The Purchaser shall have two (2) Business Days from receipt of the Statement of Adjustments within which to review the Statement of Adjustments. The Purchaser may dispute any of the items in the Statement of Adjustments by written notice to the Proposal Trustee within the aforesaid two (2) Business Day period. If the Purchaser has not delivered a written notice to the Proposal Trustee objecting to the Statement of Adjustments within such two (2) Business Day period, the Purchaser shall be deemed to have accepted the Statement of Adjustments. If the Purchaser delivers a written notice, the Proposal Trustee, Parlay and the Purchaser shall work expeditiously and in good faith in an attempt to

resolve all of the items in dispute prior to the Closing Date. If all items in dispute are not resolved by the Closing Date, the Purchaser and the Proposal Trustee shall refer the dispute to a mutually agreed national independent auditing firm to resolve the item(s) in dispute. The determination by such independent auditor shall be binding upon the Proposal Trustee and the Purchaser. Each of the Parties shall be responsible for one-half of the fees and expenses of the independent auditor.

- (c) To the extent the Statement of Adjustments shows an amount owing to the Proposal Trustee, the cash portion of Purchase Price shall be increased by a corresponding amount and which shall be owing by the Purchaser. To the extent that the Statement of Adjustments shows an amount owing the Purchaser, the cash portion of the Purchase Price shall be reduced by a corresponding amount and which such amount shall be owing by Parlay.
- (d) If the amount of the adjustment in respect of any item cannot be agreed at Closing, then an initial adjustment for such item shall be made at Closing in accordance with the Statement of Adjustments. Where the Statement of Adjustments has stated that the adjustment in respect of any item is an estimate, the Purchaser shall provide Parlay with a statement of final adjustment as soon as practicable. Within thirty (30) days of receipt of a final statement of any adjustment, whether in the Statement of Adjustments or a subsequent statement, Parlay and the Purchaser shall work expeditiously and in good faith in an attempt to agree with the consent of the Proposal Trustee upon a final adjustment as at the Time of Closing for the item in question. In the absence of such agreement, the final amount of the adjustment shall be determined within sixty (60) days of the Closing Date by dispute resolution in accordance with Section 9.5, during which period the Proposal Trustee shall not distribute that portion of the Purchase Price proceeds which it reasonably estimates may represent the maximum amount by which the final adjustment may decrease the Purchase Price.
- (e) All final adjustments resulting in an increase of the Purchase Price shall be made by the Purchaser paying the amount of such increase to Proposal Trustee on behalf of Parlay, and all final adjustments resulting in a decrease of the Purchase Price shall be made by the Proposal Trustee on behalf of Parlay to the Purchaser. In either case, payment shall be made within five (5) Business Days after the final adjustment has been agreed to in accordance with this section by wire transfer. Where an adjustment is made subsequent to Closing in respect of any item for which an adjustment was made at Closing in accordance with Section 2.3.3(c) on the basis of a Statement of Adjustment, then the amount to be paid or applied shall be determined after taking into account the adjustment made at Closing in respect of such item.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

3.1 Representations and Warranties by the Purchaser

The Purchaser hereby represents and warrants to the Proposal Trustee as follows:

3.1.1 Organization and Corporate Power.

The Purchaser is a corporation duly organized and validly existing under the laws of Panama. The Purchaser has the requisite corporate power and authority to enter into, deliver and perform its obligations pursuant to each of the Transaction Documents to which it is or will become a party.

3.1.2 Authorization; Binding Effect; No Breach.

- (a) The execution, delivery and performance of each Transaction Document to which the Purchaser is a party, or is to be a party to, have been or will be duly authorized by the Purchaser at the time of its execution and delivery. Assuming due authorization, execution and delivery by Parlay, each Transaction Document to which the Purchaser is a party constitutes, or upon execution thereof will constitute, a valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms, except as such enforceability is limited by bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally or general principles of public policy.
- (b) The execution, delivery and performance by the Purchaser of the Transaction Documents to which the Purchaser is, or on the Closing Date will be, a party do not and will not conflict with or result in a breach of the terms, conditions or provisions of, constitute a default under, result in a violation of, or require any Consent pursuant to (i) the constating documents of the Purchaser, or (ii) any Laws to which the Purchaser or any of its assets is subject, except, in the case of (ii) above, for such defaults, violations, actions and notifications that would not individually or in the aggregate materially hinder, delay or impair the performance by the Purchaser of any of its obligations under any Transaction Document.

3.1.3 HST Registration

The Purchaser is a non-Canadian person as defined in the *Investment Canada Act* and the Purchaser is not registered under Part IX of the *Excise Tax Act (Canada)*.

ARTICLE 4
COVENANTS AND OTHER AGREEMENTS

4.1 Stalking Horse and Bidding Procedures.

- (a) Parlay, the Proposal Trustee and the Purchaser acknowledge that this Agreement and the transactions contemplated hereby are subject to Court approval.
- (b) On or before June 3, 2011, Parlay shall, with the assistance of the Proposal Trustee, file and serve motions (together, the "**Sale Motion**"), which Sale Motion shall include copies of the Bidding Procedures and of the Stalking Horse and Bidding Procedures Order, seeking Court approval of: (i) the acceptance by Parlay of this Agreement as a stalking horse asset purchase agreement; (ii) a stalking horse sale process and related bidding procedures in connection with the sale of the Purchased Assets reasonably acceptable to Purchaser and substantially in the form of Schedule 4.1(b) (the "**Bidding Procedures**"); (iii) the payment to the Purchaser of the Break-Up Fee and the Expense Reimbursement in the circumstances called for hereunder; and (iv) the scheduling of an auction and sale hearing as contemplated by the Bidding Procedures (the "**Auction**" and "**Sale Hearing**", respectively). The Sale Motion shall be served by Parlay's counsel on all parties then on the service list for the NOI Proceedings and on such other Person, if any, as the Purchaser's counsel may reasonably request.
- (c) Parlay shall, with the assistance of the Proposal Trustee, use its commercially reasonable efforts to have the Court enter on or before June 3, 2011 an order reasonably acceptable to the Purchaser and substantially in the form of Schedule 4.1(c) approving this Agreement and the Bidding Procedures and the payment to the Purchaser of the Break-up Fee and the Expense Reimbursement, in circumstances called for hereunder (collectively, the "**Stalking Horse and Bidding Procedures Order**").
- (d) If the Proposal Trustee has received one or more "Qualified Bids" (as such term is defined in the Bidding Procedures) on or before 5:00 p.m. (E.D.T.) on July 18, 2011, the Proposal Trustee shall use its commercially reasonable efforts to conduct the Auction for the Purchased Assets on or before July 25, 2011.
- (e) The Proposal Trustee shall use its commercially reasonable efforts, including by filing and serving a motion with the Court within five (5) Business Days following the completion of the Auction (the "**Approval and Vesting Motion**"), to have the Court make on or before August 2, 2011 an order reasonably acceptable to the Purchaser and substantially in the form of Schedule 4.1(e) (the "**Approval and Vesting Order**") approving the sale of the Purchased Assets to the Purchaser pursuant to

this Agreement or to the Person otherwise submitting the highest and otherwise best bid(s) for the Purchased Assets at the Auction and vesting title to the Purchased Assets in the Purchaser or such other Person free and clear of all Liens other than Permitted Liens.

- (f) In the event leave to appeal is sought, an appeal is taken or a stay pending appeal is requested with respect to the Stalking Horse and Bidding Procedures Order or the Approval and Vesting Order, Parlay and the Proposal Trustee shall promptly notify the Purchaser of such leave to appeal, appeal or stay request and shall promptly provide to the Purchaser a copy of the related notice(s) or order(s). Parlay and the Proposal Trustee shall also provide the Purchaser with written notice of any motion or application filed in connection with any leave to appeal or appeal from such orders.
- (g) From and after the date hereof, and to the extent the Purchaser is the successful bidder at the Auction, the Proposal Trustee and Parlay shall not take any action that is intended to result in, or fail to take any action the intent of which failure to act would result in, the reversal, voiding, modification or staying of the Stalking Horse and Bidding Procedures Order or the Approval and Vesting Order.
- (h) From and after the date hereof, the Proposal Trustee and Parlay shall provide such prior notice as may be reasonable under the circumstances before filing any materials with the Court that relate, in whole or in part, to this Agreement, the Purchaser or the Auction and shall consult in good faith with the Purchaser regarding the content of such materials prior to any such filing.

4.2 Pre-Closing Cooperation.

- (a) Prior to the Closing, upon the terms and subject to the conditions of this Agreement, each of the Parties shall use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, and cooperate with each other in order to do, all things necessary, proper or advisable under applicable Law to consummate the transactions contemplated by this Agreement as soon as practicable, including the preparation and filing of all forms, registrations and notices required to be filed to consummate the Closing, the taking of such actions as are necessary to obtain any requisite Consent, provided that neither Parlay nor the Proposal Trustee shall be obligated to make any payment or deliver anything of value to any Third Party (other than filing with and payment of any application fees to Government Entities, all of which shall be paid or reimbursed by the Purchaser) in order to obtain any Consent.
- (b) Each of Parlay, the Proposal Trustee and the Purchaser shall promptly notify the other of the occurrence, to such Party's knowledge, of any event

or condition, or the existence, to such Party's knowledge, of any fact, that would reasonably be expected to result in any of the conditions set forth in Article 7 not being satisfied.

- (c) On or immediately after the Closing Date, the Proposal Trustee shall, with the assistance of Parlay, effect the necessary change of ownership and record with all patent, trademark, and copyright offices and domain name registrars and other similar authorities where Intellectual Property of Parlay (i) is still recorded in the name of legal predecessors of Parlay or any Person other than Parlay or (ii) where, to the knowledge of Parlay, the relevant records of the patent, copyright, and trademark offices, and domain name registrars, and other similar authorities are materially incorrect for any other reason.
- (d) The Proposal Trustee will, on behalf of Parlay and at Parlay's expense, immediately following the Closing Date, effect a change in its legal and corporate name so that such name no longer contains "Parlay" and any variation thereof.

4.3 Regulatory Approvals.

- (a) In furtherance and not in limitation of the provisions of 4.1(b), each of the Parties agrees to prepare and file as promptly as practicable all necessary documents, registrations, statements, petitions, filings and applications for any other Consent of any other Government Entities required to satisfy the conditions set forth in Section 7.1(c) and Section 7.2(b).
- (b) If a Party or any of its Affiliates receives a request for information or documentary material from any Government Entity with respect to this Agreement or any of the transactions contemplated hereby, then such Party shall endeavour in good faith to make, or cause to be made, as soon as reasonably practicable and after consultation with the other Party, an appropriate response in compliance with such request.
- (c) The Parties shall keep each other apprised of the status of matters relating to the completion of the transactions contemplated by this Agreement and work cooperatively in connection with obtaining the Regulatory Approvals and other Consents of a Government Entity, including:
 - (i) cooperating with each other in connection with filings required under any Laws regulating the transactions contemplated by this Agreement, and liaising with each other in relation to each step of the procedure before the relevant Government Entities and as to the contents of all communications with such Government Entities. Without limiting the generality of the foregoing, to the extent permitted by the relevant Government Entity and applicable Law, no Party will make any notification in relation to the transactions

contemplated hereunder without first providing the other Party with a copy of such notification in draft form, and giving such other Party a reasonable opportunity to discuss its content before it is filed with the relevant Government Entities, and such first Party shall consider and take account of all reasonable comments timely made by the other Party in this respect. To the extent that any such notification contains information that is of a competitively sensitive nature, it may be provided to the other Party in a manner that omits such information and to external counsel of the other Party on an external counsel only basis;

- (ii) furnishing to the other Party all information within its possession that is required for or assists with any application or other filing to be made by the other Party pursuant to any Laws regulating the transactions contemplated by this Agreement; provided that to the extent that any such information is of a proprietary, personal or competitively sensitive nature it may be provided only to external counsel of the other Party on an external counsel only basis;
 - (iii) to the extent permitted by the relevant Government Entity and applicable Law, promptly notifying each other of any communications from or with any Government Entity with respect to the transactions contemplated by this Agreement and ensuring that each of the Parties is entitled to attend any meetings with or other appearances before, and participate in any discussions with, any Government Entity with respect to the transactions contemplated by this Agreement; and
 - (iv) to the extent permitted by the relevant Government Entity and applicable Law, consulting and cooperating with one another in connection with all analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any Party in connection with any Act.
- (d) In addition, each of the Parties shall use its commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions precedent to the such Party's obligations hereunder as set forth in Section 7.1 to the extent the same is within its control and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to consummate the transactions contemplated by this Agreement, including using its commercially reasonable efforts to obtain all Regulatory Approvals and any other Consent of a Government Entity required to be obtained in order for the Parties to consummate the transactions contemplated by this Agreement.

- (e) The Parties hereto understand and agree that the commercially reasonable efforts of any Party hereto in relation to this Section 4.3 shall not be deemed to include:
 - (i) entering into any settlement, undertaking, consent decree, consent agreement, consent order, stipulation or agreement with any Government Entity in connection with the transactions contemplated hereby, or
 - (ii) divesting or otherwise holding separate (including by establishing a trust or otherwise), or taking any other action (or otherwise agreeing to do any of the foregoing) with respect to, any business, assets or properties of Parlay or the Purchaser.

if the result of doing so would, or would reasonably be expected to, make the completion of the purchase and sale of the Purchased Assets materially less favourable, financially or operationally, to such Party.

- (f) The Purchaser shall pay any requisite filing fees and applicable Taxes in relation to any filing or application made in respect of obtaining Regulatory Approvals.

4.4 Pre-Closing Access to Information.

- (a) Prior to the Closing, Parlay shall, with the assistance of the Proposal Trustee, (i) give the Purchaser and its authorized representatives, upon advance notice and during regular business hours, reasonable access to all books, records, reports, plans, certificates, files, documents and information related to the Purchased Assets, personnel, officers and other facilities and properties of Parlay, (ii) permit the Purchaser to make such copies and inspections thereof, upon advance notice and during regular business hours, as the Purchaser may reasonably request, (iii) cause the officers of Parlay to furnish the Purchaser with such financial and operating data and other information with respect to Parlay as is regularly prepared in the Ordinary Course that the Purchaser may from time to time reasonably request and (iv) provide or cause the officers of Parlay to provide any other information in its or Parlay's possession or under its or Parlay's control with respect to any of the Purchased Assets (including any Liabilities in connection therewith) that the Purchaser may reasonably request; provided, however, that (A) any such access shall be conducted at Purchaser's expense, in accordance with Law under the supervision of the Proposal Trustee's personnel and in such a manner as to maintain confidentiality and not to interfere with the normal operations of the businesses of Parlay and its Affiliates, and (B) Parlay will not be required to provide to the Purchaser access to or copies of any Employee Records to the extent such would be in violation of Laws relating to the protection of privacy.

- (b) Notwithstanding anything contained in this Agreement or any other agreement between the Purchaser and Parlay executed on or prior to the date hereof, neither Parlay nor the Proposal Trustee shall have any obligation to make available to the Purchaser or its representatives, or provide the Purchaser or its representatives with (i) any information if making such information available would (A) jeopardize any attorney-client, solicitor-client or other legal privilege, or (B) potentially cause Parlay to be found in contravention of any applicable Law or contravene any fiduciary duty or agreement (including any confidentiality agreement to which Parlay or any of its Affiliates are a party), it being understood that Parlay shall cooperate in any reasonable efforts and requests for waivers that would enable otherwise required disclosure to the Purchaser to occur without so jeopardizing privilege or contravening such Law, duty or agreement, or (ii) any information relating to other bids or potential bids for any of the Purchased Assets.
- (c) As requested by the Purchaser from time to time prior to or following the Closing Date, Parlay shall use commercially reasonable efforts to cooperate with the Purchaser in connection with the Purchaser and Parlay or the Proposal Trustee as the case may be, contacting suppliers and customers of the Purchased Business.

4.5 Public Announcements.

Subject to the Proposal Trustee, Parlay and the Purchaser's respective disclosure obligations imposed by Law (including any obligations under any Insolvency laws and applicable securities laws), the Purchaser shall cooperate reasonably with Parlay and the Proposal Trustee in the development and distribution of all news releases, other public information disclosures and announcements, including announcements and notices to customers, and suppliers, with respect to this Agreement, or any of the transactions contemplated by this Agreement and the other Transaction Documents.

4.6 Further Actions.

From and after the Closing Date, each of the Parties shall execute and deliver such documents and other papers and take such further actions as may reasonably be required to carry out the provisions of this Agreement and give effect to the transactions contemplated herein, including the execution and delivery of such assignments, deeds and other documents as may be necessary to transfer any Purchased Assets as provided in this Agreement.

4.7 Conduct of the Business During the Tenancy of this Agreement.

- (a) Parlay covenants that other than in the Ordinary Course, or except as the Purchaser may otherwise agree in writing, it shall not:
 - (i) sell, lease, transfer or otherwise dispose of any of the Purchased Assets, other than (A) collections of any Accounts Receivable, (B) a

sale or disposition of Inventory, or (C) a sale of the Purchased Assets pursuant to an Alternative Transaction in accordance with the terms of this Agreement;

- (ii) waive, release, cancel, settle or compromise any Accounts Receivable owed to Parlay or any right, claim or cause of action of Parlay against any Third Party that does not constitute an Excluded Asset;
 - (iii) amend, supplement, disclaim, repudiate, reject or terminate any Assigned Contract;
 - (iv) grant to any Person or permit to lapse any rights to any Intellectual Property, or disclose to any Person, other than the Purchaser or its representatives or the representatives of any other potential purchaser of the Purchased Assets pursuant to and in accordance with the May 2011 Order or the Bidding Procedures, any non-public Trade Secrets; or
 - (v) authorize, or commit or agree to take, any of the foregoing actions.
- (b) Except (i) as otherwise expressly provided in this Agreement, or (ii) as the Purchaser may otherwise have agreed in writing, Parlay shall:
- (i) maintain in full force and effect any Consents necessary to operate the Purchased Business in the Ordinary Course;
 - (ii) preserve and protect the Purchased Assets, including by using commercially reasonable efforts to maintain property and casualty insurance policies in respect of the Purchased Assets with coverage consistent with that currently in force;
 - (iii) upon any damage, destruction or loss to any Purchased Asset, apply any insurance proceeds received with respect thereto to the prompt repair, replacement and restoration thereof to the condition of such Purchased Asset before such event or, if required, to such other (better) condition as may be required by applicable Law or, at the request of the Purchaser, hold such proceeds for payment to the Purchaser on Closing; and
 - (iv) consult with Purchaser on aspects of the Purchased Business arising outside of the Ordinary Course, as may be reasonably requested from time to time by the Purchaser, including, but not limited to, personnel, accounting and financial functions and sales and marketing.

4.8 Transaction Expenses.

Except as otherwise provided in this Agreement or the Ancillary Agreements, each of the Purchaser and Parlay shall bear its own costs and expenses (including brokerage commissions, finder's fees or similar compensation, and legal fees and expenses) incurred in connection with this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby.

4.9 Certain Payments or Instruments Received from Third Parties.

To the extent that, after the Closing Date, (a) the Purchaser receives any payment or instrument that is for the account of Parlay according to the terms of this Agreement, the Purchaser shall promptly deliver such amount or instrument to the Proposal Trustee on behalf of Parlay, and (b) Parlay and/or the Proposal Trustee receives any payment that is for the account of the Purchaser according to the terms of this Agreement, Parlay shall deliver such amount or instrument to the Purchaser. All amounts due and payable under this Section 4.9 shall be due and payable by the applicable Party in immediately available funds, by wire transfer to the account designated in writing by the relevant Party. Notwithstanding the foregoing, each Party hereby undertakes to use reasonable best efforts to direct or forward all bills, invoices or like instruments to the appropriate Party.

4.10 Release of Purchased Assets

Parlay shall be responsible for all costs associated with releasing all of the Purchased Assets to the Purchaser at Closing, free and clear of any Lien, other than Permitted Liens, including, without limitation, the release of any Purchased Assets that are held, stored or warehoused by or with any Third Party.

ARTICLE 5 TAX MATTERS

5.1 Transfer Taxes.

The Parties agree that the Purchase Price is exclusive of any Transfer Taxes. Subject to Section 5.2, the Purchaser shall promptly pay to the Proposal Trustee on behalf of Parlay or directly to the appropriate Tax Authority, as required by Law, or promptly reimburse Parlay upon demand and delivery of proof of payment by Parlay to the appropriate Tax Authority, all applicable Transfer Taxes that are properly payable by Purchaser under applicable Law in connection with this Agreement and the transactions contemplated herein and the other Transaction Documents and the transactions contemplated therein.

5.2 Tax Elections.

- (a) The Purchaser and Parlay shall jointly execute an election under Section 167 of Part IX of *the Excise Tax Act (Canada)* in the forms prescribed for such purposes such that the sale of the Purchased Assets by Parlay will take place without payment of any HST. The Purchaser shall file the

election forms referred to above with the proper Tax Authority, together with Purchaser's HST return for its HST reporting period during which the transaction of purchase and sale contemplated herein occurs.

- (b) The Purchaser and Parlay, if applicable, shall jointly execute and file an election under subsection 20(24) of the *Tax Act* in the manner required by subsection 20(25) of the *Tax Act* and under the equivalent or corresponding provisions of any other applicable provincial or territorial statute, in the prescribed forms and within the time period permitted under the Tax Act and under any other applicable provincial or territorial statute, as to such amount paid by Parlay to the Purchaser for assuming future obligations. In this regard, the Purchaser and Parlay, if applicable, acknowledge that a portion of the Purchased Assets transferred by Parlay and having a value equal to the amount elected under subsection 20(24) of the *Tax Act* and the equivalent provisions of any applicable provincial or territorial statute is being transferred by Parlay as a payment for the assumption of such future obligations by the Purchaser.
- (c) Parlay and the Purchaser agree to elect jointly in the prescribed form under section 22 of the *Tax Act* and the corresponding provisions of any provincial statutes as to the sale of the Accounts Receivable and to designate in such elections an amount equal to the portion of the Purchase Price agreed upon pursuant to the Allocation Schedule as the consideration paid by the Purchaser therefor.
- (d) The Purchaser and Parlay, if applicable, will in a timely fashion jointly execute and file an election under Section 22 of the *Tax Act* and the corresponding sections of any other provincial statute and any regulations under such statutes in a manner consistent with the Purchase Price allocation under Section 2.2.3.

5.3 Tax Characterization of Payments Under This Agreement.

Parlay and the Purchaser agree to treat all payments made either to or for the benefit of the other Party under this Agreement, other than pursuant to Article 8 hereof, as adjustments to the Purchase Price for Tax purposes and that such treatment shall govern for purposes hereof to the extent permitted under applicable Tax Law.

ARTICLE 6 EMPLOYMENT MATTERS

6.1 Employment Obligations with Respect to Employees.

6.1.1 Employment Terms.

- (a) The Purchaser shall offer employment effective as of the Closing, conditional on the Purchaser being the "Successful Bidder" pursuant to the Stalking Horse and Bidding Procedures Order and related Bidding

Procedures, to all Employees no later than twelve (12) days following the issuance of the Stalking Horse and Bidding Procedures Order, on substantially similar terms and conditions of employment as the Employees currently have with Parlay. The Purchaser shall recognize the Transferred Employees' prior service for all statutory purposes to the extent required by Law. To facilitate the Purchaser's obligations under this section, Parlay shall provide the Purchaser, within five (5) days of the date hereof with a true and correct list of all Employees, together with, in the case of each Employee, all relevant Employee Information, including position or title, years of service, age and compensation.

- (b) Employees who accepts an offer of employment with the Purchaser shall be deemed to be "Transferred Employees" for all purposes of this Agreement effective on the Closing Date.

6.2 Excluded Employee Liabilities.

Except as required by the *Employment Standards Act*, Parlay shall retain, and the Purchaser shall not assume, any liabilities to Employees with respect to any actions by Parlay or its insurers for any period of employment with Parlay prior to the Closing Date. Parlay shall be responsible for all Liabilities and obligations with respect to all Employees for the period prior to Closing, including Liabilities and related to any notice of termination, termination or severance pay (either required by Law or contract), salary or wages, vacation pay, overtime pay, payroll or employer health taxes, commissions, bonuses, payments or contributions, vacation entitlements or expense reimbursement.

6.3 Other Employee Covenants.

The Purchaser undertakes to keep the Employee Information in confidence and until the Closing Date:

- (a) the Purchaser shall restrict the disclosure of the Employee Information only to such of its employees, agents and advisors as is necessary for the purposes of effectuating this Agreement prior to the Closing Date;
- (b) the Employee Information shall be returned to Parlay or destroyed, at election of Parlay, if this Agreement is terminated; and
- (c) the Purchaser shall comply with such additional obligations as may be reasonably required to comply with any applicable privacy Laws.

The Purchaser and Parlay shall cooperate with each other to provide for an orderly transition of the Transferred Employees from Parlay to the Purchaser to minimize the disruption to the respective businesses of the Parties resulting from the transactions contemplated hereby.

6.4 No Obligation.

No provision of this Agreement shall create any Third Party beneficiary rights in any current or former Employee or any other Person (including any beneficiary or dependent thereof) of any nature or kind whatsoever, including without limitation, in respect of continued employment (or resumed employment) for any specified period. Nothing contained in this Agreement shall restrict the ability of the Purchaser to terminate the employment of any Transferred Employee after the Closing in accordance with applicable Law.

ARTICLE 7 CONDITIONS TO THE CLOSING

7.1 Conditions to Parlay's Obligations.

Parlay's obligation to effect the Closing shall be subject to the fulfillment (or express written waiver by the Proposal Trustee), at or prior to the Closing, of each of the following additional conditions:

- (a) **No Breach of Representations and Warranties.** Each representation and warranty contained in ARTICLE 3 shall be true and correct as of the Closing Date.
- (b) **No Breach of Covenants.** The covenants contained in this Agreement to be complied with by the Purchaser on or before the Closing shall have been complied with and shall not have been breached in any material respect.
- (c) **Regulatory Approvals.** All Regulatory Approvals shall have been obtained.
- (d) **Closing Deliveries.** Each of the deliveries required to be made to Parlay pursuant to this Agreement, including Section 2.3.2, shall have been so delivered.
- (e) **Court Orders.** Each of the Stalking Horse and Bidding Procedures Order and the Approval and Vesting Order shall have been made and entered, and neither shall have been amended or varied in any manner adverse to the interests of Parlay or stayed or subject to any appeal or notice of appeal, as of the Closing.

7.2 Conditions to Purchaser's Obligation.

The Purchaser's obligation to effect the Closing shall be subject to the fulfillment (or express written waiver by the Purchaser), at or prior to the Closing, of each of the following additional conditions:

- (a) **No Breach of Covenants.** The covenants, obligations and agreements contained in this Agreement to be complied with by Parlay or the Proposal

Trustee on or before the Closing shall not have been breached in any respect.

- (b) **Regulatory Approvals and Third Party Consents.** All of the Regulatory Approvals shall have been obtained.
- (c) **Closing Deliveries.** Each of the deliveries required to be made to the Purchaser pursuant to this Agreement, including Section 2.3.2, shall have been so delivered.
- (d) **Court Orders.** Each of the Stalking Horse and Bidding Procedures Order and the Approval and Vesting Order shall have been made and entered, and neither shall have been amended or varied in any manner adverse to the interests of the Purchaser or stayed or subject to any appeal or notice of appeal, as of the Closing.
- (e) **Termination of Employees.** Parlay shall have terminated the employment of all Employees, other than those Employees who are to become Transferred Employees.
- (f) **Destruction or Damage of Purchased Assets.** No destruction or material damage to the Purchased Assets shall have occurred prior to the Closing Date.

ARTICLE 8 TERMINATION

8.1 Termination.

This Agreement may be terminated at any time prior to the Closing by mutual written consent of the Proposal Trustee on behalf of Parlay and the Purchaser or by either Party, upon written notice to the other:

- (a) in the event that any condition to the relevant Party's obligations as forth in Section 7.1 or Section 7.2, as applicable, has not been met on or before the Outside Date provided that the right to terminate this Agreement under this Section 8.1(a) shall not be available to any Party whose failure to fulfill any obligation under this Agreement shall be the cause of the failure of the Closing to occur on or before such date; or
- (b) if a Government Entity issues an Order prohibiting the transactions contemplated hereby; or
- (c) upon the entry of an order by the Court approving an Alternative Transaction (the entry of which order by the Court shall be deemed to constitute written notice to the Parties);
- (d) by the Purchaser, upon written notice to the Proposal Trustee:

- (i) if the Stalking Horse and Bidding Procedures Order has not been issued and entered by June 3, 2011;
- (ii) if the Approval and Vesting Order has not been issued and entered by August 2, 2011;
- (iii) if the Closing does not take place within four (4) Business Days next following the date upon which the Approval and Vesting Order shall have been issued and entered.
- (iv) if Parlay fails to timely file, or withdraws or seeks authority to withdraw the Sale Motion or the Approval and Vesting Motion; or
- (v) if the NOI Proceedings are terminated,

provided that the exercise by a Party of its right of termination shall be without prejudice to its right to seek any other remedy to which it may be entitled.

8.2 Break-Up Fee.

- (a) In the event that this Agreement is terminated pursuant to Section 8.1(c) then the Proposal Trustee on behalf of Parlay shall pay to the Purchaser, or to such Person as the Purchaser may direct, in immediately available funds the sum of \$50,000 from the cash proceeds received upon closing of an Alternative Transaction (the "**Break-Up Fee**"), which shall be payable on closing of the Alternative Transaction.
- (b) The payment of the Break-Up Fee in accordance with Section 8.2(a), the return of the Deposit in accordance with Section 8.4(b) and payment of the Expense Reimbursement in accordance with Section 8.3 will be the sole and exclusive remedy of the Purchaser, whether at Law or in equity, in respect of a termination of this Agreement pursuant to Section 8.1(c).
- (c) The provision for payment of the Break-Up Fee and the Expense Reimbursement is an integral part of this Agreement without which the Purchaser would not have entered into this Agreement. The obligation to pay the Break-Up Fee pursuant to Section 8.2(a) shall survive termination of this Agreement and shall be secured by a priority charge on all of the assets of Parlay, subject only to statutory charges, the Administration Charge and DIP Charge, pursuant to the Stalking Horse and Bidding Procedures Order, and to the terms and conditions thereof.
- (d) Notwithstanding anything to the contrary herein, the obligation to pay the Break-Up Fee pursuant to this Section 8.2 is expressly subject to entry of the Stalking Horse and Bidding Procedures Order.

8.3 Expense Reimbursement.

Notwithstanding anything in this Agreement to the contrary, the Proposal Trustee on behalf of Parlay, agrees to pay to the Purchaser, or to such Person as the Purchaser may direct, the Expense Reimbursement, with the Expense Reimbursement being paid by the Proposal Trustee on behalf of Parlay to the Purchaser upon the closing of an Alternative Transaction, provided that the Purchaser shall be required to provide to the Proposal Trustee such documentation as the Proposal Trustee may reasonably request evidencing the expenses and fees in respect of which a request for reimbursement is made hereunder. The provision for payment of the Expense Reimbursement is an integral part of this Agreement without which the Purchaser would not have entered into this Agreement. The obligation to pay the Expense Reimbursement pursuant to this Section 8.3 shall survive termination of this Agreement and shall be secured by a priority charge on all of the assets of Parlay, subject only to statutory charges, the Administration Charge and the DIP Charge and the charge provided for in Section 8.2(c) above, pursuant to the Stalking Horse and Bidding Procedures Order.

8.4 Effects of Termination.

If this Agreement is terminated pursuant to Section 8.1:

- (a) all further obligations of the Parties under or pursuant to this Agreement shall terminate without further liability of any Party to the other except for the provisions of (i) Section 4.5 (Public Announcements), (ii) Section 4.8 (Transaction Expenses), (iii) Section 6.3(b) (Other Employee Covenants), (iv) Section 8.2 (Break-Up Fee), (v) Section 8.3 (Expense Reimbursement), (vi) Section 8.4 (Effects of Termination), (vii) Section 9.4 (Successors and Assigns), (viii) Section 9.5 (Governing Law; Submission to Jurisdiction), (ix) Section 9.6 (Notices) and (x) Section 9.12 (Availability of Equitable Relief; Sole Remedy); provided, that nothing herein shall relieve any Party from liability for any breach of this Agreement occurring before the termination hereof and thereof;
- (b) in the event that this Agreement is terminated pursuant to Section 8.1 (save and except where the Proposal Trustee on behalf of Parlay terminates this Agreement pursuant to Section 8.1(a) by reason of a failure by the Purchaser to meet the conditions set forth in Sections 7.1(a) or 7.1(b) or 7.1(d) on or before Closing), and notwithstanding any other legal or equitable rights the Purchaser might have against Parlay, including any rights under Section 9.12, the Deposit shall be returned to the Purchaser in immediately available funds, to an account designated by the Purchaser in writing. If this Agreement is terminated by the Proposal Trustee on behalf of Parlay pursuant to Section 8.1(a) by reason of a failure by the Purchaser to meet the conditions set forth in Sections 7.1(a) or 7.1(b) or 7.1(d) on or before Closing, and notwithstanding any other legal or equitable rights Parlay might have against the Purchaser, including any rights under Section 9.12, the Deposit shall be retained by the Proposal Trustee; and

- (c) the Purchaser shall return to the Proposal Trustee on behalf of Parlay all documents, work papers and other material of the Proposal Trustee or Parlay, as the case may be, relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof.

ARTICLE 9 MISCELLANEOUS

9.1 Remedies.

No failure to exercise, and no delay in exercising, any right, remedy, power or privilege under this Agreement by any Party will operate as a waiver of such right, remedy, power or privilege, nor will any single or partial exercise of any right, remedy, power or privilege under this Agreement preclude any other or further exercise of such right, remedy, power or privilege or the exercise of any other right, remedy, power or privilege.

9.2 No Third Party Beneficiaries.

This Agreement is for the sole benefit of the Parties and their permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

9.3 Consent to Amendments; Waivers.

No Party shall be deemed to have waived any provision of this Agreement or any of the other Transaction Documents unless such waiver is in writing, and then such waiver shall be limited to the circumstances set forth in such written waiver. This Agreement and the Ancillary Documents shall not be amended, altered or qualified except by an instrument in writing signed by all the parties hereto or thereto, as the case may be.

9.4 Successors and Assigns.

Except as otherwise expressly provided in this Agreement, all representations, warranties, covenants and agreements set forth in this Agreement or any of the Ancillary Agreements by or on behalf of the Parties or thereto will be binding upon and inure to the benefit of such Parties and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by any Party without the prior written consent of the other Party, which consent may be withheld in such Party's sole discretion, except for any assignment hereof to an Affiliate of a Party provided that such Party remains liable jointly and severally with its assignee Affiliate for the assigned obligations to the other Party.)

9.5 Governing Law; Submission to Jurisdiction,

- (a) Any questions, claims, disputes, remedies or Actions arising from or related to this Agreement, and any relief or remedies sought by any Parties, shall be governed exclusively by the Laws of the Province of Ontario and the laws of Canada applicable therein without regard to the rules of conflict of laws applied therein or any other jurisdiction.
- (b) To the fullest extent permitted by applicable Law, each Party (i) agrees that any claim, action or proceeding by such Party seeking any relief whatsoever arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought only in the Court, and shall not be brought in any other court in Canada or any court in any other country, (ii) agrees to submit to the exclusive jurisdiction of the Court, as applicable pursuant to the preceding clause (i) for purposes of all legal proceedings arising out of, or in connection with, this Agreement or the transactions contemplated hereby, (iii) waives and agrees not to assert any objection that it may now or hereafter have to the laying of the venue of any such Action brought in Court or any claim that any such Action brought in such a court has been brought in an inconvenient forum, (iv) agrees that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 9.6 or any other manner as may be permitted by Law shall be valid and sufficient service thereof, and (v) agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law.

9.6 Notices.

All demands, notices, communications and reports provided for in this Agreement shall be in writing and shall be either sent by facsimile transmission with confirmation to the number specified below or personally delivered or sent by reputable overnight courier service (delivery charges prepaid) to any Party at the address specified below, or at such address, to the attention of such other Person, and with such other copy, as the recipient Party has specified by prior written notice to the sending Party pursuant to the provisions of this Section 9.6.

If to the Purchaser to:

M Projects 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@nccabagados.com

If to the Proposal Trustee, to:

Blair Davidson
President
BDO Canada Limited
123 Front Street West, Suite 1200
Toronto, ON M5J 2M2

Tel: 416-369-3112
Fax: 1(866)246-2905
Email: b davidson@bdo.ca

If to Parlay, to:

Justin Fogarty/ Renée Brosseau
Heenan Blaikie 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 / jfogarty@heenan.ca

Any such demand, notice, communication or report shall be deemed to have been given pursuant to this Agreement when delivered personally, when confirmed if by facsimile transmission, or on the calendar day after deposit with a reputable overnight courier service, as applicable.

9.7 Schedules.

The Schedules attached hereto constitute a part of this Agreement and are incorporated into this Agreement for all purposes as if fully set forth herein.

9.8 Counterparts.

The Parties may execute this Agreement in two or more counterparts (no one of which need contain the signatures of all Parties), each of which will be an original and all of which together will constitute one and the same instrument.

9.9 No Presumption.

The Parties agree that this Agreement was negotiated fairly between them at arm's length and that the final terms of this Agreement are the product of the Parties' negotiations. Each Party represents and warrants that it has sought and received

experienced legal counsel of its own choosing with regard to the contents of this Agreement and the rights and obligations created hereby. The Parties agree that this Agreement shall be deemed to have been jointly and equally drafted by them, and that the provisions of this Agreement therefore should not be construed against a Party on the grounds that such Party drafted or was more responsible for drafting the provisions.

9.10 Severability.

If any provision, clause, or part of this Agreement, or the application thereof under certain circumstances, is held invalid, illegal or incapable of being enforced in any jurisdiction, (i) as to such jurisdiction, the remainder of this Agreement or the application of such provision; clause or part under other circumstances, and (ii) as for any other jurisdiction, any provision of this Agreement, shall not be affected and shall remain in full force and effect, unless, in each case, such invalidity, illegality or unenforceability in such jurisdiction materially impairs the ability of the Parties to consummate the transactions contemplated by this Agreement. Upon such determination that any clause or other provision is invalid, illegal or incapable of being enforced in such jurisdiction, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible even in such jurisdiction,

9.11 Entire Agreement.

This Agreement and the Ancillary Agreements set forth the entire understanding of the Parties relating to the subject matter thereof, and all prior or contemporaneous understandings, agreements, representations and warranties, whether written or oral, are superseded by this Agreement and the Ancillary Agreements and all such prior or contemporaneous understandings, agreements, representations and warranties are hereby terminated. In the event of any irreconcilable conflict between this Agreement and any of the Ancillary Agreements, the provisions of this Agreement shall prevail, regardless of the fact that certain Ancillary Agreements, may be subject to different governing Laws (unless the Ancillary Agreement expressly provides otherwise).

9.12 Availability of Equitable Relief; Sole Remedy.

The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each of the Parties shall be entitled to equitable relief to prevent or remedy breaches of this Agreement prior to the Closing, without the proof of actual damages, including in the form of an injunction or injunctions or orders for specific performance in respect of such breaches. Each Party agrees to waive any requirement for the security or posting of any bond in connection with any such equitable remedy. Each Party further agrees that the only permitted objection that it may raise in response to any action or claim for equitable relief is that it contests the existence of a breach or threatened breach of the provisions of this Agreement. Other than payment of the Break Up Fee and Expense Reimbursement as provided pursuant to Section 8.2 and

8.3 respectively, equitable remedies shall constitute the sole remedy of the Purchaser under or in respect of this Agreement. Without prejudice to the preceding sentence, under no circumstances shall any Party be liable for punitive damages or indirect, special, incidental, or consequential damages arising out of or in connection with this Agreement or the transactions contemplated hereby or any breach or alleged breach of any of the terms hereof, including damages alleged as a result of tortious conduct.

9.13 Court Approval

The acceptance hereof, evidenced by the execution and delivery of this Agreement by the Parties, is subject to the approval of the Court pursuant to the Stalking Horse and Bidding Procedures Order and to the terms of the Bidding Procedures.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have duly executed this Asset Purchase Agreement as of the date first written above.

PARLAY ENTERTAINMENT INC.

By: [Signature]
Name: DAVID CALLOWAY
Title: Chief Financial Officer

M PROJECTS ASSETS S.A.

By: [Signature]
Name: Hector Fallas
Title: Legal Representative

BDO CANADA LIMITED, in its capacity as proposed trustee of PARLAY ENTERTAINMENT INC., and not in its personal capacity

By: _____
Name:
Title:

IN WITNESS WHEREOF, the Parties have duly executed this Asset Purchase Agreement as of the date first written above.

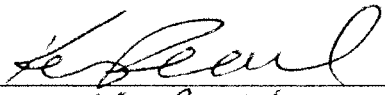
PARLAY ENTERTAINMENT INC.

By: _____
Name:
Title:

M PROJECTS ASSETS S.A.

By: _____
Name:
Title:

**BDO CANADA LIMITED, in its capacity
as proposal trustee of PARLAY
ENTERTAINMENT INC., and not in its
personal capacity**

By: 
Name: Ken Pearl
Title: VICE PRESIDENT

SCHEDULE 1.1.(a)

MAY 2011 ORDER

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.) MONDAY, THE 9th
)
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 MPPProjects 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, ^{PAC} ~~counsel for the Proposal Trustee~~ ^{"PAC"} and its counsel on a semi-monthly basis and, in addition, Parlay is hereby authorized to pay to the Proposal Trustee, ^{PAC} ~~"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~~ ^{PAC} legal counsel ^{"TO THE COMPANY"} 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, ^{PAC} ~~counsel to the Proposal Trustee~~ ^{"PAC"}, 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~~ ^{"PAC/PACCAI's"} 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

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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 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

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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

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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,

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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

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

May 9, 2011

Peter A. Cumming J.

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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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

May 9-11

May 9/11

*After submissions, Order
signed, & issued.*

Patricia C. J. T.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

APPLICANT'S MOTION RECORD

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