

SCHEDULE 2.1.1(a) ACCOUNTS RECEIVABLE

Parlay Entertainment Inc.
Accounts Receivable
16-May-11

	Currency				
	Sterling	euro	U.S.	\$Cdn.	Total
Palatial Leisure Limited	£7,440.57				
Double B Investments Ltd.			\$75,000.00		
Expekt.com Ltd.		€ 5,422.58			
Nordic Betting		2,577.18			
Stan James (Gibraltar) Limited	-				
Involve Limited					
Alands Penningautomatforening					
Smart TV Broadcasting Limited	-				
207 Media			-		
VKGS LLC			2,550.00		
Coverall Consulting				\$2,000.00	
	<u>£7,440.57</u>	<u>€7,999.76</u>	<u>\$77,550.00</u>	<u>\$2,000.00</u>	
May 16, 2011 rate	1.5756	1.3796	0.9703	1.0000	
\$ Cdn.	<u>\$11,723.36</u>	<u>\$ 11,036.47</u>	<u>\$75,246.77</u>	<u>\$2,000.00</u>	<u>\$100,006.60</u>

* reflects invoiced amounts through April 30, 2011 and cash collections through May 16, 2011
 ** trade accounts receivable only - excludes inter-company accounts receivable

SCHEDULE 2.1.1(c) INVENTORY

Parlay Entertainment Inc.
Inventory
16-May-11

Estimated work in progress and supplies inventory May 16, 2011

\$ 10,000.00

SCHEDULE 2.1.1.(d) EQUIPMENT

Description	Original Cost	F/X	CAD Cost
2004 and Earlier Depreciated Assets	126,739.35		134,331.04
Spare computer	1,669.06		1,769.04
Replacement computers	5,007.18		5,307.11
ICS Crossgrade Premium Edition 100 Users	1,518.00		1,608.93
Conference call equipment in boardrooms	1,524.21		1,615.51
Labor and material re UPS	310.01		328.58
UPS to supply backup power to blade enclosure	1,416.72		1,501.58
Rack Console with Rapidrails	1,097.30		1,163.03
2 computers	3,398.13		3,601.68
Computer re Navinder	1,790.13		1,897.36
Quick Test Professional Perpetual	14,420.00		15,283.76
Blade Servers and enclosure	23,891.40		25,322.49
IIT Software	2,214.82		2,347.49
Computer	6,238.70		6,612.40
Computer	1,559.67		1,653.09
Color printer	1,523.82		1,615.10
Dell Poweredge 1855 Blade Server	10,488.25		11,116.50
TDW computer (Circuit City Stores, Inc.)	996.38		1,056.06
Monitors	10,451.49		11,077.53
DC-monitor, TR-CPU	2,413.36		2,557.92
JSQL Connect 5.0	10,000.00		10,599.00
Notebook and accessories	2,360.25		2,501.63
TC Monitor (Brian Tse has this)	999.85		1,059.74
	105,288.73	-	111,595.53
Computer	4,207.68		3,825.10
Computer accessories	155.52		141.38
Computer accessories	376.92		342.66
Computer	1,813.32		1,648.44
Computer	1,813.32		1,648.44
Server for Parlay's production freeplay	5,149.44		4,771.29
Laptops	17,042.40		15,872.17
PO's stolen laptop	(2,600.00)		(2,421.47)
Software re Dwayne Connolly	1,413.18		1,316.14
Software	1,193.45		1,111.50
Confluence Commercial Server License	4,209.12		3,822.40
Fisheye Standard Edition	1,776.66		1,613.42
5 CPU's and 5 Monitors	7,943.40		7,514.99
David Richer Laptop	1,704.24		1,612.32
2 - Laptops	6,330.96		5,989.51
2 Dell Servers	10,264.32		9,710.73
3 Dell Servers	5,929.20		5,609.41
3 Dell Servers	8,352.72		7,902.22
1 Dell Server	3,598.56		3,404.47
MS Windows Server 2003 Standard Edition	1,393.66		1,318.49

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Laptops	3,165.48	3,042.40
Projector	1,618.92	1,555.98
Projector	1,618.92	1,555.98
Computer	3,177.36	2,978.04
	2,033.61	1,906.04
Mercury Software	22,822.80	24,189.89
<i>E-mail Server</i>	1,473.85	1,411.70
<i>TaskMaster software</i>	28,409.14	30,110.85
<i>TaskMaster software</i>	10,625.00	10,176.96
<i>JnetDirect software</i>	9,000.00	9,539.10
RAM for 3 servers	1,382.40	1,313.70
2 LCD Monitors	615.60	581.16
Dell Optiplex Small Form Factor	921.24	869.69
Dell optiplex desktop	1,097.28	1,035.89
<i>Development license of EE edition - 1995</i>	2,394.00	2,537.40
New Blade Server for QA DB	5,106.24	4,741.01
	177,529.91	174,299.40
Computer	1,097.52	998.19
time tracking system (software)	2,172.34	1,975.75
Laptop - Casey S	1,745.28	1,568.65
Desktop Joe Mante	1,087.56	977.50
Desktop Rob Babiarz	2,708.64	2,434.51
Desktop for Nick Losacco (Optiplex 745)	1,301.40	1,178.94
Laptops - Dee and 2 loaners	4,918.32	4,455.49
Computer - Farheen	1,842.48	1,669.09
RAM	1,205.28	1,091.86
RAM	3,857.54	3,494.53
12 Monitors	3,326.29	3,013.27
Computer - Nathaniel Bitola	959.04	918.50
Computer - Sean Garter	959.04	918.50
Laptop - Andrea Robinson	1,501.20	1,437.73
Laptop - Tyler Schwartz	1,221.48	1,169.84
M&E for Mercury Quick Test professional	5,272.12	5,049.25
Phone system	7,522.20	7,452.16
Adobe software	3,543.06	3,510.07
Phone system	6,051.93	6,032.15
Computer	3,518.64	3,507.13
Monitors	473.04	471.50
Gabdab Servers	324.00	322.25
Gabdab Servers	6,087.96	6,055.15
Gabdab Servers	4,708.80	4,683.41
Gabdab Servers	3,773.52	3,753.18
<i>ICS Premium to Ismail Premium - 100 users</i>	1,818.00	1,926.90
Telephone work RE: new phone system	2,915.00	2,899.28
<i>Oracle Standard Ed. One</i>	578.34	615.25
<i>Oracle Standard Ed. One</i>	2,624.40	2,791.89
<i>JSQL Connect License</i>	13,000.00	13,778.70
<i>Sony VAIL Notebook</i>	3,002.37	3,193.99
CISCO ASA5510 Firewall	3,456.00	3,856.05
	98,572.79	97,200.66

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2 - Polygons for boardrooms	1,312.47		1,407.78
Adobe Flex Builder	1,754.98		1,809.69
Cisco Router	1,619.99		1,670.50
Ipswitch - Antivirus	1,963.60		1,958.64
JSQL Connect License	6,500.00	389.35	6,889.35
	13,151.04	389.35	13,735.96
Adobe Flash CS4			4,574.02
HP Server	2,425.00		2,425.00
HP Server	380.74		380.74
Server to Support Video King	1,922.32		1,922.32
Server to Support Video King	2,748.30		2,748.30
HP Server add-on	539.99		539.99
HP Server add-on	763.26		763.26
Peggy's Laptop S/N SL3ACL8G	2,407.39		2,407.39
Tax Prep Software	1,239.84		1,239.84
4 Desktops for Development	6,101.74		6,101.74
2 Laptops - Yves and Carla	2,486.46		2,486.46
Upgrade QA Testing Environment	2,019.39		2,019.39
Upgrade QA Testing Environment	981.16		981.16
Upgrade QA Testing Environment	907.34		907.34
Laptop	3,242.20		3,242.20
Ismail Premium/ Antivirus - SOFTWARE	1,590.00	125.61	1,715.61
Back Up Software	2,403.09		2,403.09
Enterprise license - Software	1,500.00	108.30	1,608.30
8 MS SQL Server Licences - SOFTWARE	1,768.00		1,768.00
SOFTWARE - MS MBL SQL Server	1,178.78		1,178.78
			41,412.93
Microsoft Office 2007 Single Open x 18	8,692.00		8,692.00
Microsoft Outlook 2007 Single Open x 9	970.45		970.45
Microsoft Project 2007 Single Open x 3	1,908.78		1,908.78
Microsoft SQL Server Developer Edition 2008 Single Open x 10	476.60		476.60
Microsoft Visio Professional 2007 Single Open	597.92		597.92
Tax prep Software	1,293.84		1,293.84
EXROX Phaser 8560DN color printer	2,159.50		2,159.50
Laptop replacement for Peter Trint	744.71		744.71
Laptop replacement for Peter Trint	55.53		55.53
Cisco Smartnet firewall	1,344.33		1,344.33
16 GB Memory upgrade for Blink VM server	769.04		769.04
32 GB memory upgrade on MS SQL server	1,350.44		1,350.44
a MS SQL servers for load testing	1,078.39		1,078.39
Yearly software maintenance on Symantec used at PGS Euro	490.71		490.71
Yearly software maintenance for three Dell server-PGS NA, Facebook, Gabdab	729.70		729.70
4 x 32 GB memory upgrade for Dell 2950 at Blink	1,297.11		1,297.11

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Replacement Laptop for Deirdre Curran	770.43		770.43
Kaspersky Business Space Security License Certificate - two year start 9/15/2010	448.50		448.50
HP Proliant DL360 G& -Xeon E5640	7,118.32		7,118.32
HotPlug Hard Drive, customer kit x 4	1,037.60		1,037.60
Facebook one year application fee for 25 monitors	795.00	40.18	835.18
Enterprise license - Software	1,500.00	28.20	1,528.20
One year software support for Oracle UM Server located at Blink	537.60		537.60
Windows Service License	1,001.01		1,001.01
ExpressionEngine 2.x Commercial License	299.95	14.85	314.80
EE2 multiple site manager commercial license	199.95	9.90	209.85
Thawte SSL123 - 2 Year	259.00	12.09	271.09
Intel Based Network card	668.19		668.19
			<u>38,699.82</u>
New workstation for Duane Menezes	1,086.59		1,086.59
Imail Server/ Antivirus - SOFTWARE	1,618.50		1,618.50
Update Perry's Laptop to Windows 7 Professional -license and media	249.91		249.91
Workstation replacements for Web Dept - Ryan & Adam	1,546.10		1,546.10
			<u>4,501.10</u>
			<u>615,776.44</u>

SCHEDULE 2.1.1(e) ASSIGNED CONTRACTS

PARLAY ENTERTAINMENT INC.

Sublease Arrangements

- 207 Media Inc. -- Sublease September 2010

Software License Agreements

- Publishers Clearing House LLC 16 November 2010
- VKGS LLC, 30 June 2009
- 207 Media Inc., 16 May, 2010
- Double B Investments Ltd., 25 March 2009
- Nordic Betting Ltd., 20 July 2007
- Expect.com Ltd., 11 October 2006
- Stan James (Gibraltar) Limited, 8 June 2007
- Involve Limited, 6 November, 2008
- AlandsPenningautomatforening, 9 July 2010
- Palatial Leisure Limited, 1 September 2007
- Smart TV Broadcasting Limited, 15 August 2008
- Raglan Equity Limited, 12 January 2011
- GVC Corporation B.V., 8 February 2011

Purchase Agreements

- Asset Purchase Agreement between Azul Electrico Limited and Parlay Entertainment Inc. (and related agreements)

Memorandums of Understanding

- Wisol International Limited, 14 May, 2011
- Slim Creek Business S.A., 25 April 2011

Value Added Reseller Arrangements

- Dynamite Design Marketing Limited, 11 January, 2008
- Orbis Technology Inc., 22 December 2006
- Ash Gaming Ltd., 14 April, 2009

Various Service, Insurance and Other Agreements

- Manulife Financial
- Royal Bank Life Insurance
- Anchor Insurance
- Blink Communications
- Chubb Edwards
- Rogers Wireless

SCHEDULE 2.1.1(h) TRANSFERRED INTELLECTUAL PROPERTY

PATENTS AND TRADEMARKS

Parlay Entertainment Inc. applies for and maintains various patents and trademarks to protect the proprietary nature of its products, to protect its corporate branding marks and to protect certain names and phrases that are unique to the Company. By protecting its products, marks, names and phrases, the Company plans to maintain a competitive edge and to differentiate itself in its market.

1. PATENTS

Canadian Patents:

On July 7, 2007, Canadian patent application number 2,340,152 was allowed by the Canadian Intellectual Property Office. The application, "METHOD AND SYSTEM FOR OPERATING A BINGO GAME ON THE INTERNET" is defined by the following claims:

The method of operating the game includes the steps of providing game cards for purchase by game participants, wherein at least one of the game cards is a winning card. A sequence of calls is generated and applied to each of the game cards for determining the winning card. The generated sequence of calls is then transmitted to the game participants, where it is repeated for playing the game. The advantage of this method is the ability to determine the correct game winner even in the event that a network connect is lost during the game.

The system for implementing the game according to the above method includes several components. A processor is provided for processing game card purchase orders. A generator provides the sequence of calls. A processor applies the sequence of calls to the game cards for determining the winner. A network distributes the sequence of calls to each of the game participants at the same time.

United States Patents

On March 12, 2001, the Company filed a patent application with the United States Patent and Trademark Office. The application, "METHOD AND SYSTEM FOR OPERATING A BINGO GAME ON THE INTERNET" was issued on July 1, 2003 under United States Patent 6,585,590

The Patent is defined by the following claims:

The method of operating the game includes the steps of providing game cards for purchase by game participants, wherein at least one of the game cards is a winning card. A sequence of calls is generated and applied to each of the game cards for determining

the winning card. The generated sequence of calls is then transmitted to the game participants, where it is repeated for playing the game. The advantage of this method is the ability to determine the correct game winner even in the event that a network connect is lost during the game.

The system for implementing the game according to the above method includes several components. A processor is provided for processing game card purchase orders. A generator provides the sequence of calls. A processor applies the sequence of calls to the game cards for determining the winner. A network distributes the sequence of calls to each of the game participants at the same time.

United States Patents

On January 28, 2008, the Company filed a patent application with the United States Patent and Trademark Office. The application, "BINGO OVERLAY GAMES SYSTEM AND METHOD PATENT" was assigned provisional application number 60/885,965.

On January 28, 2008, the Company also filed a PCT International Patent Application based on United States Provisional Patent Application 60/885,965. A serial number has not yet been awarded to this application.

2. TRADEMARKS:

WHERE THE WORLD PLAYS BINGO

The Company applied to register its trademark "WHERE THE WORLD PLAYS BINGO" in Canada. On December 17, 2002, this trademark was registered under trademark number TMA572,407. The wares set out in the application are as follows:

Downloadable computer software for use in playing the game of bingo on a computer.

The Company applied to register its trademark "WHERE THE WORLD PLAYS BINGO" in the United States. On February 5, 2002 this trademark was registered under trademark registration number 2,537,308. The wares set out in the application are as follows:

Downloadable computer software for use in playing the game of bingo on a computer.

ARROW & GLOBE Design ("e")

The Company applied to register its trademark "e" for the Arrow & Globe design in the United States. The trademark was registered on February 10, 2004 under trademark registration number 2,813,397. The wares that are set out in the application are as follows:

Computer software for allowing a user to play interactive games over the internet, computer software allowing an operator to host and manage interactive games over the internet; computer software for use in managing and administering on-line transactions.

The Company applied to register its trademark "e" for the Arrow & Globe design in Canada. The trademark was registered on March 19, 2003 under trademark registration number TMA577569. The wares that are set out in the application are as follows:

Computer software for allowing a user to play interactive games over the internet, computer software allowing an operator to host and manage interactive games over the internet; computer software for use in managing and administering on-line transactions.

HOUSE EDGE

The Company applied to register its trademark HOUSE EDGE in Canada. The trademark was registered on August 30, 2004 under trademark registration number TMA618069. The wares that are set out in the application are as follows:

Web-based management and reporting system software.

PARLAY ENTERTAINMENT (& Design) ("P" Version)

The Company applied to register its trademark PARLAY ENTERTAINMENT in Canada. The trademark was registered on July 19, 2004 under trademark registration number TMA615078. The wares that are set out in the application are as follows:

Computer software for allowing a user to play interactive games over the Internet; computer software allowing an operator to host and manage interactive games over the Internet; computer software for use in on-line purchasing; and computer software for use in managing and administering on-line transactions.

PARLAY ENTERTAINMENT (& Design) (Button Version)

The Company applied to register its trademark PARLAY ENTERTAINMENT in Canada. The trademark was registered on December 31, 2004 under trademark registration number TMA629169. The wares that are set out in the application are as follows:

Computer software for allowing a user to play interactive games over the Internet; computer software allowing an operator to host and manage interactive games over the Internet; computer software for use in on-line purchasing; and computer software for use in managing and administering on-line transactions.

HOTSHOT BINGO & DESIGN

The Company applied to register its trademark HOTSHOT BINGO & DESIGN in Canada. A notice of allowance was issued on May 11, 2007 under trademark file number 1292809. The wares and services that are set out in the application are as follows:

Wares Computer software for online gaming.

E2E

The Company applied to register its trademark E2E in Canada. The trademark was registered on February 21, 2006 under trademark registration number TMA659452. The wares and services that are set out in the application are as follows:

Wares Computer software for allowing a user to play interactive games over the Internet; computer software allowing an operator to host and manage interactive games over the Internet; computer software which records customer data and allows that data to be used to better manage customers; computer software for use in managing and administering on-transactions.

Services Computer services, namely software development and deployment, website and database development, design and administration, we hosting, graphic design and consulting all in support of operating and managing interactive games over the Internet.

AFFILIATE CENTRE

The Company applied to register its trademark AFFILIATE CENTRE in Canada. The trademark was registered on December 2, 2005 under trademark registration number TMA654,247. The services that are set out in the application are as follows:

Services Computer software, namely, customer data management software providing interactive database management tools which record customer data and allow data to be used to better manage customers.

BINGO WITHOUT BORDERS

On December 17, 2007, the Company applied to register its trademark BINGO WITHOUT BORDERS in Canada. The initial Filing Notice has been received and the application has been assigned with application number 1378819. The wares and services that are set out in the application are as follows:

Wares Downloadable computer software for use in playing the game of bingo on a computer

Services Conducting on-line

SCHEDULE 2.1.1(i) REGULATORY APPROVALS

Approval from the Alderney Gaming Control Commission

SCHEDULE 2.1.3

EMPLOYEES

Parlay Entertainment Inc.

Employee list
As of May 20, 2011

<u>Employee Number</u>	<u>Name</u>	<u>Status</u>	<u>Pay Type</u>	<u>Contract</u>	<u>Contract Date ***</u>	<u>#</u>
189	Sharma, Amit	Active	Hourly Employee	Yes	4-Jun-10	1
78	White, Scott *	Active	Salary Employee	Yes	1-Jan-06	1
194	ASKIN, LISA A	Active	Salary Employee	Yes	12-Nov-10	1
195	PATERSON, KARLI	Active	Salary Employee	Yes	8-Dec-10	1
188	Smith, Shannon L.	Active	Salary Employee	Yes	4-Jun-10	1
181	Marsden, Sheena	Active	Salary Employee	Yes	18-Feb-10	1
182	CAVATAIO, JOHN **	Active	Salary Employee	Yes	22-Apr-10	1
53	MALONE, PERRY *	Active	Salary Employee	Yes	1-Jan-07	1
191	MARTIN, LAURIE	Active	Salary Employee	Yes	1-Aug-10	1
179	Hennyey, Mark	Active	Salary Employee	Yes	1-Feb-10	1
196	LAU, KWOKYAN K.L	Active	Salary Employee	Yes	12-Jan-11	1
197	WHARTON, TIMOTHY S	Active	Salary Employee	Yes	12-Jan-11	1
138	Owens, Sandra	Active	Salary Employee	Yes	31-Jan-07	1
193	TAIT, RYAN D	Active	Salary Employee	Yes	30-Aug-10	1
180	Wang, Jinling	Active	Salary Employee	Yes	18-Feb-11	1
151	Menezes, Duane	Active	Salary Employee	Yes	25-Jun-07	1
187	Petrie, Adam	Active	Salary Employee	Yes	18-May-10	1
146	Robinson, Andrea	Active	Salary Employee	Yes	30-Apr-07	1
3	BABIARZ, ROBERT	Active	Salary Employee	Yes	28-Dec-99	1
133	Ross, Donald	Active	Salary Employee	Yes	20-Dec-06	1
58	CURRAN, DEIRDRE	Active	Salary Employee	Yes	1-Jun-03	1
89	Mejaskl, Matthew	Active	Salary Employee	Yes	25-Jul-05	1
139	Tse, Brian	Active	Salary Employee	Yes	22-Feb-07	1
64	ROSEWELL, TIM	Active	Salary Employee	Yes	3-Dec-03	1
50	STEPTOE, DEAN	Active	Salary Employee	Yes	17-May-02	1
81	Callander, David	Active	Salary Employee	Yes	1-Jan-06	1
26	Total					26

* additional compensatory amounts paid pursuant to non-employee contractual arrangements

** has handed in resignation - last day June 2, 2011

*** in some cases, contract date represents a renewal such that the contract date doesn't always equate to seniority

SCHEDULE 2.1.5(b) PERMITS, LICENSES AND APPROVALS

SCHEDULE 4.1(b)

FORM OF BIDDING PROCEDURES

Parlay Entertainment Inc. - Bidding Procedures

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

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

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

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

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

Assets to be Sold

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

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

The Bidding Process

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

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

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

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

Participation Requirements

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

Due Diligence

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

able to conduct phase one due diligence.

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

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

Bid Deadline

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

Bid Requirements

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

1. A purchase price equal to, or greater than, \$2,068,822 (the "**Minimum Bid Amount**")², if the bid is for substantially all of Parlay's assets;
2. A letter stating that the bidder's offer is irrevocable until the first business day after the Purchased Assets have been sold pursuant to the closing of the sale or sales thereof approved by the Court;
3. An executed copy of a proposed purchase agreement and a redline of the Qualified Bidder's proposed purchase agreement reflecting variations from the Stalking Horse Asset Purchase Agreement (the "**Marked Agreement**"). All Qualified Bids must provide: (a) a commitment to close within two (2) business days after satisfaction of all conditions and a covenant to use commercial best efforts to satisfy all conditions; and (b) the identity of and contact information for the bidder and full disclosure of any affiliates and any debt or equity financing sources involved in such bid;
4. A cash deposit in the amount of \$100,000 in the form of a wire transfer,

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

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

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

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

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

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

Credit Bidding

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

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

"As Is, Where Is, With All Faults"

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

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

Free of Any and All Liens

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

The Auction and Auction Procedures

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

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

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

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

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

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

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

Break-Up Fee and Expense Reimbursement

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

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

Overbid Amount; Minimum Bid Increment

There shall be an overbid amount that a Qualified Bidder must bid to exceed the Stalking Horse Bid ("**Overbid Amount**"), and that amount shall be at least \$75,000 for all bids made by Qualified Bidders, at the Auction. All subsequent bids shall not be less than \$35,000 in excess of the preceding bid, unless modified by the Proposal Trustee. **In each round of bidding, the Proposal Trustee will take into account the fact that the Break-Up Fee and Expense Reimbursement is not payable with respect to the Stalking Horse Bidder.**

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

- (a) the next bid for any Qualified Bidder other than the Stalking Horse Bidder cannot be less than \$2,103,822 (the Minimum Bid Amount plus \$35,000); and

- (b) the next bid for the Stalking Horse Bidder cannot be less than \$2,003,822 (\$1,968,822³ plus \$35,000).

Acceptance of Qualified Bids

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

Sale Approval Motion Hearing

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

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

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

Modifications

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

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

³ Being the Stalking Horse Bid of \$1,893,822 plus the Overbid Amount of \$75,000.

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

Miscellaneous

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

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

SCHEDULE 4.1(c)

**FORM OF STALKING HORSE AND BIDDING
PROCEDURES ORDER**

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)	FRIDAY, THE 3rd
)	
JUSTICE MORAWETZ)	DAY OF JUNE, 2011

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

ORDER

THIS MOTION, made by the debtor, Parlay Entertainment Inc. ("**Parlay**"), for an order substantially in the form as appended to the motion record of Parlay dated May 30, 2011 (the "**Motion Record**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the second report of BDO Canada Limited in its capacity as the proposal trustee (the "**Proposal Trustee**") of Parlay dated May 27, 2011 (the "**Second Report**") and the memo of law dated May 27, 2011 (the "**Memo of Law**"), on hearing the submissions of the Proposal Trustee, counsel for Parlay and counsel for M Projects Assets S.A. ("**M Projects**" or the "**Stalking Horse Bidder**") and no one appearing for any other person on the service list, although properly served as appears from the affidavit of Pat Rogers sworn May 30, 2011, filed:

SERVICE

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

MARKETING AND STALKING HORSE PROCESS

2. **THIS COURT ORDERS** that the bidding procedures attached as Appendix "D" to the Second Report (the "**Bidding Procedures**") and the sale process and auction described therein (collectively, the "**Sales Process**") be and are hereby approved and the Proposal Trustee is hereby authorized and directed to conduct the Sales Process.

3. **THIS COURT ORDERS** that Parlay is hereby authorized and directed, *nunc pro tunc*, to enter into an agreement to sell, all or substantially all, of the Property, as that term is defined in the May 9, 2011 order of the Honourable Mr. Justice Cumming (the "**May 2011 Order**"), (the "**Purchased Assets**") to M Projects, substantially in the form as attached as Appendix "E" to the Second Report (the "**Stalking Horse Asset Purchase Agreement**") and such agreement, subject to the terms of this Order, is hereby approved and accepted for the purpose of conducting the Stalking Horse Sales Process (as defined below) in accordance with the Bidding Procedures, including without limitation, the payment of the Break-Up Fee and the Expense Reimbursement (as each term is defined in the Stalking Horse Asset Purchase Agreement).

4. **THIS COURT ORDERS** that the Proposal Trustee is hereby authorized and directed to take such additional steps and execute such additional documents on behalf of Parlay as may be necessary or desirable for the completion of the Stalking Horse Asset Purchase Agreement and for the conveyance of the Purchased Assets to the Stalking Horse Bidder. The Proposal Trustee is hereby authorized and empowered to take any steps and execute such additional documents which shall be deemed to be effectively done or executed as if done by Parlay.

5. **THIS COURT ORDERS** that M Projects shall be entitled to, and is hereby granted, a charge (the "**Stalking Horse Bidder Charge**") on the Property in the maximum amount of \$100,000, as security for the payment of the Break-Up Fee and the Expense Reimbursement in the circumstances provided for in sections 1.1, 8.2(a) and 8.3 of the Stalking Horse Asset Purchase Agreement, respectively and that the Stalking Horse Bidder Charge shall form a charge on the Property in priority to all Encumbrances (as such term is defined in the May 2011 Order). The Stalking Horse Bidder Charge shall have the priority set out in paragraph 12 of this Order.

6. **THIS COURT ORDERS** that, in the event that the Proposal Trustee concludes a sale (on behalf of Parlay) of all or any of the Purchased Assets to a Successful Bidder other than the Stalking Horse Bidder, the Proposal Trustee is hereby authorized and directed to pay the Break-Up Fee and the Expense Reimbursement (as defined in the Stalking Horse Asset Purchase Agreement) to the Stalking Horse Bidder within 3 business days following the closing of such a sale approved by the Court in accordance with the provisions of the Stalking Horse Asset Purchase Agreement.

7. **THIS COURT ORDERS** that in connection with the Stalking Horse Sales Process and pursuant to clause 7(3)(c) of the *Personal Information Protection of Documents Act (Canada)*, the Proposal Trustee may disclose personal information of identifiable individuals to prospective bidders for the Purchased Assets and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete a sale of such assets. Each prospective bidder to whom any such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the said assets and related business, and if it does not complete a purchase thereof, shall return all such information to the Proposal Trustee, or in the alternative, shall destroy all such information and certify such distribution to the Proposal Trustee.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

8. **THIS COURT ORDERS** that Parlay shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of Parlay for any and all statutory liabilities, for which the directors and officers may be liable by reason of, or in relation to their capacity as directors and/or officers of Parlay.

9. **THIS COURT ORDERS** that the directors and officers of Parlay shall be entitled to the benefit of and are hereby granted a charge (the "**D&O Charge**") on the Property, which charge shall not exceed an aggregate amount of \$150,000 as security for the indemnity provided in paragraph 8 of this Order, and that the D&O Charge shall form a charge on the Property in priority to all Encumbrances, except for the statutory charges set out in section 81.4(4) and 81.6(2) of the *Bankruptcy and Insolvency Act* (the "**BIA**"). The D&O Charge shall have the priority set out in paragraph 12 of this Order.

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10. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the D&O Charge, and (b) Parlay's directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 8 of this Order.

AMENDMENTS TO THE MAY 2011 ORDER

11. **THIS COURT ORDERS** that the definition of DIP Lender in the recitals to the May 2011 Order be, and is hereby, amended to refer to M Projects Assets S.A. and that paragraphs 6 to 16 of the May 2011 Order be and are hereby amended with the necessary changes *mutatis mutandis*.

12. **THIS COURT ORDERS** that paragraph 12 of the May 2011 Order be, and is hereby, amended as follows:

- (a) **THIS COURT ORDERS** that the priorities of the Administration Charge, the DIP Charge, the Stalking Horse Bidder Charge and the D&O Charge, as among them shall be as follows:

First – Administration Charge;

Second – DIP Charge;

Third – Stalking Horse Bidder Charge; and

Fourth – D&O Charge.

13. **THIS COURT ORDERS** that paragraphs 13, 14, 15 and 16 of the May 2011 Order be and are hereby amended with the necessary changes *mutatis mutandis* to give effect to, and include, the granting of the Stalking Horse Bidder Charge and the D&O Charge.

EXTENSION OF TIME FOR MAKING A PROPOSAL

14. **THIS COURT ORDERS** that the time for filing a proposal and the stay of proceedings herein are hereby extended in accordance with section 50.4(9) of the BIA from June 3, 2011 to July 18, 2011.

GENERAL

15. **THIS COURT ORDERS** that the Second Report and the activities described therein be and are hereby approved.

SCHEDULE 4.1(e)

FORM OF APPROVAL AND VESTING ORDER

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE)	TUESDAY, THE 2ND
)	
JUSTICE)	DAY OF AUGUST , 2011

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

APPROVAL AND VESTING ORDER

THIS MOTION, made by the debtor, Parlay Entertainment Inc. ("**Parlay**") for an order approving the sale transaction (the "**Transaction**") contemplated by an agreement of purchase and sale (the "**Stalking Horse Asset Purchase Agreement**") between Parlay, BDO Canada Limited in its capacity as proposal trustee to Parlay (the "**Proposal Trustee**"), and M Projects Assets S.A. (the "**Purchaser**") made as of May 30 , 2011 and appended to the second report of the Proposal Trustee dated May 27, 2011 (the "**Second Report**"), and vesting in the Purchaser Parlay's right, title and interest in and to the assets described in the Stalking Horse Asset Purchase Agreement (the "**Purchased Assets**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Second Report and on hearing the submissions of the Proposal Trustee, counsel for Parlay, counsel for the Purchaser «names of other parties appearing», no one appearing for any other person on the service list, although properly served as appears from the affidavit of Pat Rogers sworn July , ● 2011 filed:

1. **THIS COURT ORDERS AND DECLARES** that service of this motion and supporting materials is hereby declared to be good and sufficient and no other person is required to have been served with notice of this motion.
2. **THIS COURT ORDERS THAT**, unless otherwise indicated herein, terms with initial capitals have the meanings ascribed to them in the Stalking Horse Asset Purchase Agreement.
3. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and that the Stalking Horse Asset Purchase Agreement is commercially reasonable and in the best interests of Parlay and its stakeholders. The execution of the Stalking Horse Asset Purchase Agreement is hereby authorized and approved. The Proposal Trustee is hereby authorized and directed to take such additional steps to execute such additional documents on behalf of Parlay as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser. The Proposal Trustee is hereby authorized and empowered to take any steps and execute such additional document which shall be deemed to be effectively done or executed as if done or executed by Parlay.
4. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a certificate by the Proposal Trustee to the Purchaser substantially in the form attached as **Schedule "A"** hereto (the "**Certificate**"), all of Parlay's right, title and interest in and to the Purchased Assets shall vest absolutely in the Purchaser, free and clear of, and from any and all, security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice Cumming dated May 9, 2011 as amended by the Order of the Honourable Mr. Justice Morawetz dated June 3, 2011; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system and, for greater certainty, this Court orders that all of the Claims affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

5. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Proposal Trustee's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

6. **THIS COURT ORDERS AND DIRECTS** the Proposal Trustee to file with the Court a copy of the Certificate, forthwith after delivery thereof to the Purchaser.

7. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Proposal Trustee and Parlay are authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in Parlay's records pertaining to Parlay's past and current employees, including personal information of those employees. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by Parlay.

8. **THIS COURT ORDERS** that the Purchaser shall have no liability or obligation in respect of any Excluded Liabilities.

9. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of Parlay and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of Parlay;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of Parlay and shall not be void or voidable by creditors of Parlay, nor shall it constitute nor be deemed to be a settlement,

fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

10. **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

11. **THIS COURT ORDERS** that, subject to the Stalking Horse Asset Purchase Agreement, all of the rights and obligations of Parlay in respect of each of the Assigned Contracts shall be, and are hereby deemed to be, transferred to the Purchaser, and such transfer and assignment shall be effective as if the Purchaser was named therein as a party thereto in the place and stead of Parlay as of the date hereof.

12. **THIS COURT ORDERS** that any person in possession of any of the Purchased Assets shall surrender possession thereof to any representative of the Proposal Trustee or of the Purchaser forthwith upon any request or demand being made by any such representative for the release and delivery up of any such Purchased Assets, without requirement of payment or other satisfaction of any Claim such person may have against any such Purchased Assets or otherwise, all of which Claims shall be dealt with in paragraph 4.

13. **THIS COURT ORDERS** that the Purchaser shall pay the balance of the Purchase Price to the Proposal Trustee, and such payment shall satisfy payment of the Purchase Price as required by the Stalking Horse Asset Purchase Agreement.

14. **THIS COURT ORDERS** that the time for filing a proposal and the stay of proceedings herein are hereby extended in accordance with section 50.4(9) of the *Bankruptcy and Insolvency Act* from July 18, 2011 to September 1, 2011.

15. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist Parlay and/or the Proposal Trustee and its 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 Parlay and/or the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to

this Order or to assist Parlay and/or the Proposal Trustee and their agents in carrying out the terms of this Order.

Schedule A – Form of Proposal Trustee’s Certificate

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

CERTIFICATE

RECITALS

- A. Parlay Entertainment Inc. (“**Parlay**”) filed a notice of intention to make a proposal on May 4, 2011 (the “**NOI**”) under the *Bankruptcy and Insolvency Act (Canada)*. BDO Canada Limited was appointed as proposal trustee (the “**Proposal Trustee**”) in the NOI proceedings.
- B. Pursuant to an Order of the Court dated August 2, 2011, the Court approved the agreement of purchase and sale made as of May 30, 2011 (the “**Sale Agreement**”) between Parlay, the Proposal Trustee, and M Projects Assets S.A. (the “**Purchaser**”) and provided for the vesting in the Purchaser of Parlay’s right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Proposal Trustee to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in section 7 of the Sale Agreement have been satisfied or waived by Parlay, the Proposal Trustee and/or by the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Proposal Trustee.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE PROPOSAL TRUSTEE CERTIFIES the following:

1. The Purchaser has paid and the Proposal Trustee has received on behalf of Parlay the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;
2. The conditions to Closing as set out in section 7 of the Sale Agreement have been satisfied or waived by Parlay, the Proposal Trustee and/or by the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Proposal Trustee.
4. This Certificate was delivered by the Proposal Trustee at «time» on «date».

BDO Canada Limited in its capacity as Proposal Trustee of the undertaking, property and assets of Parlay Entertainment Inc., and not in its personal capacity

Per: _____
Name:
Title:

TAB F

On 11-04-25 1:55 PM, "jklewchuk@jltcanada.com" <jklewchuk@jltcanada.com> wrote:

>>Hi Scott,

>

>Further to our correspondance below we are pleased to confirm that
>underwriters have agreed to extend to policy 90 days to July 29, 2011
>for a pro-rata premium of \$1,800. Invoicing and the endorsement
>extending the policy will be forwarded to your office upon receipt.

>

>In the interim, if you can keep us in the loop regarding the
>transaction's being undertaken via the BIA - it will be greatly
>appreciated.

>

>Kind regards,

>Jen

>

TAB G

IN THE MATTER OF THE PROPOSAL OF
 PARLAY ENTERTAINMENT INC.
 OF THE CITY OF OAKVILLE IN THE PROVINCE OF ONTARIO

Week Ending	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Totals
	06-May	13-May	20-May	27-May	03-Jun	10-Jun	17-Jun	24-Jun	01-Jul	08-Jul	15-Jul	22-Jul	29-Jul	05-Aug	
1					150,000	200,000									350,000
2				50,000											50,000
3	3,400		2,400				2,400								8,200
4	6,500				3,400					3,400					13,300
5	3,000				8,500										11,500
6				49,750				12,000							61,750
7			5,000	12,000			5,000					12,000			34,000
	14,500	7,400	7,400	11,730	150,000	214,900	2,400	17,400	66,000	14,900	2,400	72,000	65,000	18,100	607,530

Cash Receipts

Recouped from Customers
 Customer #1 deposit (PEL)
 Customer #2 deposit (PEL)
 Sales (15,000,000,000 stamps) (PEL)
 Interest (PGL)
 Sales in PGL
 Video King (PEL)
 207 Media (PEL) - rent
 207 Media (PEL) RB
 207 Media (PEL) managed service fee
 Double B (PEL)
 Police (PML)
 HST refunds
 2010 corporate tax refund

Total Cash Receipts

Cash Disbursements

Overhead Costs
 Payroll - gross
 Vacation pay
 Pension (Perry Mackay)
 Scott F. White-Balmer and Selector
 Health benefits
 RBC LTD
 Expenses - CIBC VISA
 Expenses - TD Canada Trust
 Overhead Cost
 Rent (Gross/rent)
 Toronto Maintenance (Gibb's)
 Telephone - One Connect
 Telephone - Bell (all three accounts)
 Internet - Bell (catch up from monthly)
 Insurance
 Anchor - annual premium
 D & O - annual premium

PARLAY ENTERTAINMENT INC
 Per

David Alexander

Name
 Authorized Signing Officer

MAY 16, 2011

Date

BOO CANADA LIMITED
 Per
K. Stewart

Name
 Authorized Signing Officer

MAY 11, 2011

Date

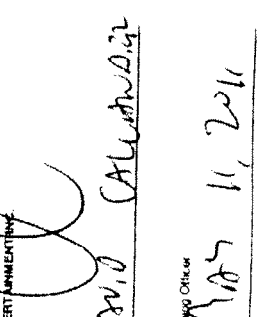
IN THE MATTER OF THE PROPOSAL OF
 PARLAY ENTERTAINMENT INC
 OF THE CITY OF OAKVILLE IN THE PROVINCE OF ONTARIO

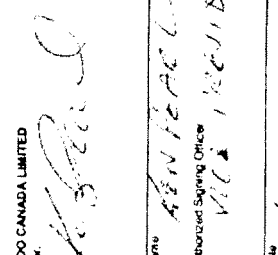
Week Ending	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Totals
Week Ending	06-May	13-May	20-May	27-May	03-Jun	10-Jun	17-Jun	24-Jun	01-Jul	08-Jul	15-Jul	22-Jul	29-Jul	05-Aug	
Professional Fees															
ASCN 10 - 2010 audit															
Heenan Blaikie - balance of retained															
BDO - balance of retained															
BDO - ongoing fees															
BDO - ongoing fees															
Other															
Funding 2011/2012 ASCC license (additional share subscription in PGL)															
70,000 pounds sterling															
PGL license funding February 2011 (TGN / NetPlay)															
(assumed ongoing covered by PGL cash flow)															
(preferable additional share subscription)															
MPP Projects Assets S.A. legal fees															
MPP Projects Assets S.A. compliance fees															
Contingency															
Total Cash Disbursements															
Net Cash from Operations															
Operating Balance - Bank balance															
Net Cash from Operations															
DIP Advances (Repayment)															
Closing Balance - Bank Balance															
DIP Loan - opening balance - trust account															
Advance (Repayment) - include deposit															
DIP Loan - closing balance - trust account															

May 4, 2011 balance \$ 188,000
 May 4, 2011 balance transfer from PGL \$ 188,000
 \$ 376,000

May 4, 2011 balance \$ 188,000
 Opening DIP \$ 188,000
 PGL operations (469,864)
 PGL investment (108,591)
 \$ 83,545

May 4, 2011 balance \$ 188,000
 Opening DIP \$ 188,000
 PGL operations (469,864)
 PGL investment (108,591)
 \$ 83,545

PARLAY ENTERTAINMENT INC
 Per: 
 Name: David Calcutt
 Authorized Signing Officer
 Date: May 11, 2011

BDO CANADA LIMITED
 Per: 
 Name: Ken Feare
 Authorized Signing Officer
 Date: May 11, 2011

IN THE MATTER OF THE PROPOSAL OF
PARLAY ENTERTAINMENT INC.
OF THE CITY OF OAKVILLE,
IN THE PROVINCE OF ONTARIO

Notes and Assumptions to the Revised Cash-Flow Statement

- A. This revised cash-flow statement has been prepared for the purposes of filing a proposal pursuant to Part III of the *Bankruptcy and Insolvency Act*.
 - B. The revised cash-flow statement has been prepared by the management of the insolvent person and from information supplied from the company's records.
1. Represents cash to be collected pursuant to a Memorandum of Understanding of April 25, 2011, the terms of which are to be formalized in a signed contract. The MOU calls for a license fee of \$300,000 to be paid by Slim Creek Business S.A. (Panama) to PEI. A \$140,000 deposit has been received by PEI to date. The MOU does not explicitly provide any restrictions with regard to PEI's use of deposit funds. The MOU also does not explicitly provide that the deposit shall be refundable to Slim Creek Business S.A. (Panama) in the event that a contract is not finalized.
 2. Represents a deposit on a potential \$500,000 MOU to be signed by the week ending May 27, 2011. Given that the potential customer is currently using an earlier version of Parlay's software, it is very likely that an MOU and contract will be signed within two weeks, such MOU to include a \$50,000 deposit, with \$200,000 to be received on the software's implementation, which should take approximately two weeks.
 3. PEI has sub-leased certain of its leased Oakville premises to 207 Media, a customer of PEI's. PEI has also seconded one of its employees to 207 Media. Total monthly payments to be received from 207 Media include approximately \$3,400 on account of sublet rent (not including HST), \$8,500 on account of the seconded employee's salary, and \$3,000 for a management fee. PEI and 207 Media have signed an agreement with regard to the sub-lease of PEI's Oakville premises, however, no formal agreement exists regarding the seconded employee's salary.
 4. Represents partial payment on a US \$400,000 contract signed March 25, 2009 between Parlay Entertainment Limited, PEI's Barbados-based subsidiary ("PEL") and Double B Investments. To date, approximately US \$325,000 has been received by PEL. The \$49,000 payment, however, may be received partially in May and partially in June.
 5. Monthly royalty fee paid to Parlay Malta Limited ("PML"), PEI's Malta-based subsidiary by Palaces, a UK-based website.
 6. HST refunds received on account of ITC claims in excess of HST collected. As a supplier of services sold primarily on an international basis, PEI is only responsible for collecting HST on sales made in Canada, therefore, PEI generally receives HST refunds.

7. PEI has remaining fiscal 2007 taxable income of \$220,000 for federal income tax purposes and \$150,000 for provincial income tax purposes. Upon filing its 2010 income tax return (anticipated to be filed in June, 2011), PEI expects to recover approximately \$60,000 on the basis of a carry-back of sufficient 2010 losses to 2007 to negate all taxable income from 2007.
 8. Several employees were terminated by PEI on April 22, 2011. Gross payroll of approximately \$65,000 is paid bi-weekly to continuing employees - source deductions are withheld and remitted on PEI's behalf by Ceridian. May 6, 2011 payroll approximates go-forward bi-weekly payroll.
 9. One-time payment of all vacation arrears to terminated employees.
 10. Monthly gross compensation payment to PEI's Chief Technology Officer and reimbursement of business expenses paid personally.
 11. Monthly gross compensation payment to PEI's Chief Executive Officer and reimbursement of business expenses paid personally.
 12. Employee health and long term disability benefits consistent with historical costs.
 13. Monthly premises rent of \$15,000 is paid pursuant to a verbal agreement reached approximately March, 2011 between the landlord and PEI. Actual rent payable to the landlord pursuant to the lease is approximately \$27,000 per month. The \$15,000 premises rent payment pursuant to the agreement is to continue during the restructuring period.
 14. Represents payment of \$7,300 of arrears to a supplier hosting PEI's servers for its Canadian managed services, with monthly payments thereafter. Arrears payments are being made because of the crucial nature of server hosting services to PEI, given the nature of PEI's business and operations and server hosting services may be cut off if arrears are not paid forthwith.
 15. Remaining balance of 2010 total audit fees of \$50,000.
 16. Represents PEI's payment of its Alderney-based subsidiary Parlay Gaming Limited's ("PGL") 70,000 pounds sterling 2011/2012 licensing fee to the Alderney Gaming Control Commission to operate an Alderney-based gaming operation. PGL's working capital position is sufficiently weak that it cannot pay the licensing fee independently. In exchange for PEI's payment of the licensing fee, PGL plans to issue additional shares to PEI.
- Other. PEI, the ultimate owner of all of the subsidiaries has, over time, received significant cash that is actually not earned by it. PEI has, for example, received deposits from product sales, service and licensing agreements undertaken by PEL and by PGL, which have created significant intercompany loan balances between the entities.

(a) PEL

Effective November 30, 2010 (PEL's fiscal year-end), PEL amalgamated with PEI in order to consolidate operations (as PEL was not earning positive income) and also to shore up its intercompany balance with PEL by virtue of an intercompany dividend on amalgamation. The amalgamation is subject to governmental approval in Barbados. PEL, however, must file approximately ten years of outstanding Barbadian income tax returns before the amalgamation can be completed.

Approximately \$486,000 of \$607,000 total projected receipts during the thirteen week period are on account of revenue earned by subsidiaries, \$450,000 of which are owed to PEL.

All Parlay intellectual property, before November 30, 2010 was owned by PEL.

(b) PGL

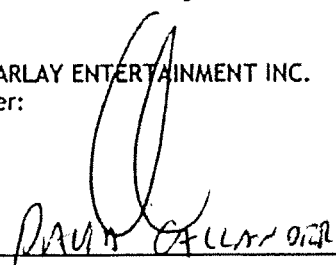
PGL earns royalties, implementation fees and support work revenue, primarily from four customers. The cash received will be held with PGL as PGL is off-side on a number of its covenants with the Alderney Gaming Control Commission. Such covenants require, among other things, that PGL meet certain working capital and net asset targets, which PGL has failed to meet. Failing to meet its covenants can ultimately lead to a shutdown of PGL's gaming operation by the Alderney Gaming Control Commission.

The Alderney Gaming Control Commission has informally agreed to waive PGL's covenant requirement provided that PEI furnish the Alderney Gaming Control Commission with a guarantee, which PEI has done, that it would honour all of PGL obligations. As at March 31, 2011, PGL is in arrears on account of monthly fees of approximately 150,000 pounds sterling owed to three customers, moreover, it is working capital negative at March 31, 2011. Its negative working capital position is eased on account of several factors including 183,000 and 149,000 pounds sterling of deferred revenue and amounts due to related companies respectively, which, if discounted from PGL's working capital position, would leave PGL working capital positive.

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

PARLAY ENTERTAINMENT INC.

Per:



Name:

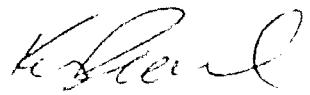
Authorized Signing Officer

MAY 11, 2011

Date

BDO Canada Limited

Per:



Name:

Ken Pearl

Title:

Vice President

MAY 11, 2011

Date

Parlay Entertainment Inc.
Cash Flow Results
May 4 to May 20, 2011

Cash Receipts

Receivables from Customers

May 4, 2011 - May 20, 2011		
Projected	Actual	Variance
2,400	-	(2,400)
3,400	3,673	273
8,500	8,500	-
3,000	3,639	639
-	24,355	24,355
33,000	17,000	(16,000)
5,000	5,033	33
22,300	62,200	39,900

Cash Disbursements

130,000	131,542	(1,542)
15,633	15,633	-
11,300	-	11,300
13,407	13,407	(0)
15,400	-	15,400
1,500	-	1,500
3,000	-	3,000
1,000	850	150
15,000	16,950	(1,950)
1,300	-	1,300
3,000	-	3,000
800	-	800
7,300	-	7,300
1,940	-	1,940
7,500	-	7,500
10,000	-	10,000
12,500	12,500	-
12,500	12,500	-
20,000	-	20,000
20,000	16,349	3,651
-	975	(975)
20,000	-	20,000
323,080	220,706	102,374
(300,780)	(158,506)	142,274
188,000	188,028	28
(112,780)	29,522	142,302
250,000	236,976	(13,024)
137,220	266,498	129,278

DIP Advance

Closing Balance - Bank Balance

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

APPLICANT'S MOTION RECORD

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