

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)
JUSTICE MORAWETZ)
FRIDAY, THE 3rd
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 31, 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 **Schedule "1"** hereto (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.

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.

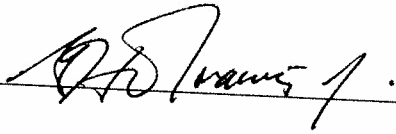
13. **THIS COURT ORDERS** that paragraphs 13, 14, 15 and 16 of the May 2011 Order be and are hereby amended with the necessary changes *mutatis mutandis* to give effect to, and include, the granting of the Stalking Horse Bidder Charge and the D&O Charge.

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.



ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JUN 06 2011

PER/PAR: 

Parlay Entertainment Inc. - Bidding Procedures

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

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

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

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

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

Assets to be Sold

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

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

The Bidding Process

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

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

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

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

Participation Requirements

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

Due Diligence

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

able to conduct phase one due diligence.

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

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

Bid Deadline

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

Bid Requirements

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

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

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

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

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

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

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

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

Credit Bidding

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

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

"As Is, Where Is, With All Faults"

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

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

Free of Any and All Liens

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

The Auction and Auction Procedures

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

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

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

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

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

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

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

Break-Up Fee and Expense Reimbursement

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

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

Overbid Amount; Minimum Bid Increment

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

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

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

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

Acceptance of Qualified Bids

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

Sale Approval Motion Hearing

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

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

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

Modifications

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

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

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

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

Miscellaneous

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

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

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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