

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-27339

BINGO.COM, INC.

(Exact name of registrant as specified in its charter)

FLORIDA

98-0206369

(State or Other Jurisdiction
of Incorporation)

(IRS Employer
Identification No.)

**3RD FLOOR, 1286 HOMER STREET, VANCOUVER,
BRITISH COLUMBIA, CANADA V6B 2Y5**

(Address of Principal Executive Offices)

(604) 647-6407

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of outstanding shares of the Registrant's Common Stock, par value \$0.001 per share, was 10,854,608 on November 13, 2001.

BINGO.COM, INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED SEPTEMBER 30, 2000

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BINGO.COM, INC. CONSOLIDATED BALANCE SHEETS (EXPRESSED IN U.S. DOLLARS)

	September 30, 2001 -----	December 31, 2000 -----
(Unaudited)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,234	\$ 174,463
Accounts receivable, net of allowance for doubtful accounts of \$65,204 (2000 - \$36,949)	170,860	268,849
Note receivable from officer	-	31,405
Prepaid expenses	90,268	51,128
	285,362	525,845
Fixed assets	501,746	506,897
Other assets	23,365	37,286
Domain name rights, net	1,354,918	1,645,230
	\$ 2,165,391	\$ 2,715,258
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 867,453	\$ 517,081
Contract payable - current portion	276,478	270,165
Loan payable	61,390	-
Capital leases - current portion	178,864	166,855
	1,384,185	954,101
Contract payable, net of current portion	-	276,476
Debenture payable (note 3)	900,000	-
Capital leases, net of current portion	30,367	100,660
Stockholders' equity (deficiency):		
Common stock - \$0.001 par value; authorized 50,000,000 shares; issued and outstanding: 10,838,608 shares at September 30, 2001 and 10,104,608 shares at December 31, 2000 (note 4)	10,839	10,105
Additional paid-in-capital	7,699,166	7,629,900
Accumulated deficit	(7,828,579)	(6,250,335)
Accumulated other comprehensive loss	(30,587)	(5,649)
	(149,161)	1,384,021
	\$ 2,165,391	\$ 2,715,258

Commitments (note 5)
Subsequent events (note 6)

See accompanying notes to consolidated financial statements.

BINGO.COM, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(EXPRESSED IN U.S. DOLLARS)
(UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
Revenue	\$ 333,603	\$ 544,416	\$ 1,391,471	\$ 606,284
Cost of revenue	143,573	274,726	851,423	303,326
Gross profit	190,030	269,690	540,048	302,958
Operating Expenses:				
Sales and marketing	56,960	290,231	221,272	594,616
General and administrative	325,746	834,178	1,302,949	1,861,329
Interest expense	41,238	22,785	99,900	23,482
Website development	-	49,103	-	233,326
Depreciation and amortization	159,362	179,880	495,992	359,960
	583,306	1,376,177	2,120,113	3,072,713
Loss from continuing operations	(393,276)	(1,106,487)	(1,580,065)	(2,769,755)
Other income (expense):				
Interest income	-	-	1,504	22,932
Dividend income	-	17,977	317	41,359
Loss on disposal of discontinued operations	-	-	-	(45,899)
Net loss	\$ (393,276)	\$ (1,088,510)	\$ (1,578,244)	\$ (2,751,363)
Net loss per share, basic and diluted	\$ (0.04)	\$ (0.11)	\$ (0.15)	\$ (0.27)
Weighted average common shares outstanding, basic and diluted	10,756,190	10,069,842	10,311,135	10,054,308

See accompanying notes to consolidated financial statements.

BINGO.COM, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(EXPRESSED IN U.S. DOLLARS)

Nine months ended September 30, 2001
(UNAUDITED)

	Common Stock		Additional Paid in Capital	Accumulated other comprehensive loss		Total
	Shares	Amount		Foreign Currency Translation Adjustment	Deficit	
Balance, December 31, 2000	10,104,608	\$ 10,105	\$ 7,629,900	\$ (5,649)	\$ (6,250,335)	\$ 1,384,021
Issuance of common stock	750,000	750	81,750	-	-	82,500
Cancellation of common stock	(16,000)	(16)	(12,484)	-	-	(12,500)
Comprehensive loss:						
Net loss	-	-	-	-	(1,578,244)	(1,578,244)
Foreign currency translation adjustment	-	-	-	(24,938)	-	(24,938)
						(1,603,182)
Balance, September 30, 2001	<u>10,838,608</u>	<u>\$ 10,839</u>	<u>\$ 7,699,166</u>	<u>\$ (30,587)</u>	<u>\$ (7,828,579)</u>	<u>\$ (149,161)</u>

See accompanying notes to consolidated financial statements.

BINGO.COM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN U.S. DOLLARS)
Nine months ended September 30, 2001 and 2000
(UNAUDITED)

	2001	2000
	-----	-----
Cash flows from operating activities:		
Net loss	\$(1,578,244)	\$(2,751,363)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for loss from discontinued operations	-	45,899
Depreciation and amortization	495,992	359,960
Cancellation of shares	(12,500)	-
Stock based compensation costs	37,500	247,833
Change in operating assets and liabilities:		
Accounts receivable	97,989	(151,011)
Note receivable	31,405	-
Prepaid expenses	(39,140)	(29,922)
Other assets	13,921	-
Accounts payable and accrued liabilities	350,372	178,751
	-----	-----
Cash used by continuing operations	(602,705)	(2,099,853)
Provision for loss on disposition of discontinued operations	-	(45,899)
Cash used by discontinued operations	-	45,899
	-----	-----
Cash used in operating activities	(602,705)	(2,099,853)
Cash flows from investing activities:		
Acquisition of property and equipment	(30,751)	(100,308)
Acquisition of Skill-Bingo game	(169,278)	-
Payments on domain name contract payable	(270,163)	(130,965)
	-----	-----
Cash used in investing activities	(470,192)	(231,273)
Cash flows from financing activities:		
Capital lease repayments	(58,284)	(120,699)
Loan payable	78,000	-
Proceeds from debenture debt	900,000	-
Repayment of loan payable	-	(53,912)
	-----	-----
Cash provided by (used in) financing activities	919,716	(174,611)
Net decrease in cash and cash equivalents	(153,181)	(2,505,737)
Effect of exchange rates on cash and cash equivalents	2,952	1,646
Cash and cash equivalents at beginning of period	174,463	3,382,529
	-----	-----
Cash and cash equivalents at end of period	\$ 24,234	\$ 878,438
	=====	=====
Supplemental disclosure of cash flow information:		
Cash interest paid	\$ 64,029	\$ 23,482
	=====	=====
Non Cash Transactions:		
Barter transactions	\$ 371,566	\$ 174,996
Present value adjustment to domain name rights	-	734,500
Issuance of common stock for services rendered	37,500	52,000
	=====	=====

See accompanying notes to consolidated financial statements.

BINGO.COM, INC.

Notes to Consolidated Financial Statements

(Expressed in U.S. dollars)

Nine months ended September 30, 2001 and 2000

(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited interim financial statements have been prepared in conformity with generally accepted accounting principles applicable to interim financial information and with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed, or omitted, pursuant to such rules and regulations. In the opinion of management, the unaudited interim financial statements include all adjustments necessary for the fair presentation of the results of the interim periods presented. These financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2000, included in Bingo.com's Annual Report on Form 10-K, filed May 21, 2001 with the Securities and Exchange Commission. The results of operations for the interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

2. GOING CONCERN

These unaudited interim consolidated financial statements have been prepared on the going concern basis, which presumes the realization of assets and the settlement of liabilities and commitments in the normal course of operations. The application of the going concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continued operations, or, in the absence of adequate cash flows from operations, obtaining additional financing.

The Company has reported losses in the last three fiscal years, and has an accumulated deficit of \$7,828,579 at September 30, 2001, and recurring negative cash flows from operations. Management continues to review operations in order to identify additional strategies designed to generate cash flow, improve the Company's financial position, and enable the timely discharge of the Company's obligations. If management is unable to identify sources of additional cash flow in the short term, it may be required to reduce or limit operations.

3. DEBENTURE PAYABLE

On April 16, 2001, the Company received a loan from and issued a secured convertible debenture to Redruth Ventures Inc., a British Virgin Islands corporation for \$750,000, and to Bingo, Inc., an Anguilla corporation for \$500,000 (collectively, the Lenders).

Under the terms of the debentures interest shall accrue on the outstanding principal amount of the debentures at a fixed rate of 12% per annum from the issuance date through April 16, 2003, at which time the interest will become payable. Thereafter, interest shall accrue and be payable on the first business day of each succeeding quarter through and including April 16, 2006. All principal, accrued but unpaid interest and any other amounts due are due and payable at maturity on April 16, 2006.

The Company has the option to pay all accrued interest in cash, common stock of the Company, or a combination of both cash and common stock. Any amounts remaining unpaid on the debentures on the maturity date, whether principal, interest or other amounts due, shall be paid in full in cash on such date. Any common stock of the Company delivered to the Lenders in payment of the debentures will be valued at \$0.25 per share.

BINGO.COM, INC.**Notes to Consolidated Financial Statements**

(Expressed in U.S. dollars)

Nine months ended September 30, 2001 and 2000

(Unaudited)

3. DEBENTURE PAYABLE (CONTINUED)

The Lenders received a total of 12,000,000 common stock purchase warrants at an exercise price of \$0.25 per share exercisable for a period of three years from the date of the debenture agreements in exchange for the loans. The Lenders have the right, but not the obligation, to elect to convert any or all of the outstanding principal amount of the debentures into shares of the Company's common stock at a conversion price of \$0.125 per share until the third anniversary date of the debentures. The debentures are secured by all assets of the Company.

Drawdowns of principal under the debentures are scheduled as follows:

Date	Drawdown
-----	-----
April 16, 2001	\$ 250,000
May 1, 2001	250,000
June 1, 2001	250,000
July 1, 2001	150,000
October 1, 2001	100,000
January 1, 2002	100,000
April 1, 2002	100,000
July 1, 2002	50,000

As at September 30, 2001, the Company had drawdown a total of \$900,000 in accordance with the terms of the debentures.

4. STOCKHOLDERS' EQUITY

During the quarter the Company issued 750,000 shares of common stock to the former President of the Company under a revised employment agreement. The shares are to be held in escrow for a period of one year. After one year, the shares will be released at a rate of at least 125,000 shares per month, in accordance with a formula included in the replacement agreement completed subsequent to period end.

During the quarter, the Company granted options to purchase a total of 600,000 shares of the Company's common stock at an exercise price of \$0.30 per share to four members of the board of directors of the Company. The options vest 100% at the grant date and expire on September 21, 2006. The options were granted under the terms of the Company's 2001 Stock Option Plan. The market price for the Company's common stock on the grant date was \$0.27.

During the quarter, previously granted options to purchase a total of 75,000 shares of the Company's common stock at exercises prices ranging from \$0.44 to \$1.45 were cancelled as a result of the termination of the holders' employment or directorship with the Company.

During the quarter, the post-termination exercise period on options to purchase a total of 1,100,000 shares of the Company's common stock held by the former president of the Company was extended from one year to two years. These options, which were granted under the Company's 1999 Non-Qualified Stock Option Plan and have exercise prices ranging from \$0.44 to \$0.75, now expire on August 31, 2003. No compensation cost was recognized in connection with this extension because the market value of the Company's common stock was less than the exercise price of the options at the effective date of the extension.

BINGO.COM, INC.

Notes to Consolidated Financial Statements

(Expressed in U.S. dollars)

Nine months ended September 30, 2001 and 2000

(Unaudited)

4. STOCKHOLDERS' EQUITY (CONTINUED)

During the quarter ended June 30, 2001 the Company disclosed that it had granted options to purchase 371,000 shares of the Company's common stock at an exercise price of \$0.20 per share under the Company's 2001 Stock Option Plan, subject to shareholder approval. All of these grants lapsed during the quarter because the grantees ceased to be employees of the Company.

During the quarter, 16,000 shares of common stock previously recorded as issued and outstanding were cancelled.

5. COMMITMENTS

During the quarter ended September 30, 2001, the Company, directly or through its subsidiaries, completed the following agreements:

(a) Asset purchase and assignment agreement with FYRC Inc. (FYRC) for the worldwide rights to the Skill-Bingo game. This agreement requires the Company to pay a royalty of 4% of the gross revenue derived from the Skill-Bingo game (as defined in the agreement) commencing September 18, 2001 until December 31, 2098.

(b) Agreement with CYOP Systems Inc. (CYOP) granting the Company a license for a software program known as CrediPlay. Under the terms of the agreement the Company is granted an irrevocable, worldwide, perpetual license to use the software for the support and operation of Bingo's business, and CYOP will provide services for the operation of Bingo's customer service and data center. The initial term of the agreement is three years.

The license fee payable to CYOP under the terms of the agreement is 25% of the revenue derived from the Skill-Bingo game (as defined in the agreement) received by the Company, with a minimum monthly fee of \$60,000. The service fee payable to CYOP under the terms of the agreement is 5% of the revenue derived by the Company from the Skill-Bingo game (as defined in the agreement), with a minimum monthly service fee of \$18,000.

(c) Website hosting and management agreement with NextLevel.com Inc. (NextLevel) for the provision of Website hosting services for the Company's Website. Pursuant to the terms of the agreement, NextLevel will provide full Website hosting services for the Company's Website for a fee of \$12,000 per month, for an initial term of one year.

Certain directors and/or officers of FYRC and CYOP are directors of the Company. In evaluating the Skill-Bingo game and negotiating the asset purchase and assignment agreement, and the CYOP agreement, the Company used criteria such as: market opportunity, competitive advantage, potential revenues and anticipated margins. The Company's board of directors determined that the consideration for each of these transactions was reasonable.

6. SUBSEQUENT EVENTS

Subsequent to quarter end the Company granted to five employees options to purchase a total of 255,000 shares of the Company's common stock at an exercise price of \$0.30 per share. The options vest 10% at the grant date, 15% 12 months following the grant date, and 2% per month thereafter. The options were granted under the terms of the Company's 2001 Stock Option Plan, and expire on October 15, 2006. The market price for the Company's common stock on the grant date was \$0.19.

Subsequent to period end, the Company also granted options to purchase 75,000 shares of the Company's common stock at an exercise price of \$0.30 per share to a former employee of the Company as part of a separation agreement. The options vest 100% at the grant date and expire on October 31, 2002. The options were granted under the terms of the Company's 1999 Stock Option Plan. The market price for the Company's common stock on the grant date was \$0.19.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties, as described below. Bingo.com's actual results could differ materially from those anticipated in these forward-looking statements. The following discussion should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto included in Part I - Item 1 of this Quarterly Report, and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Conditions and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

FORWARD LOOKING STATEMENTS

ALL STATEMENTS CONTAINED IN THIS QUARTERLY REPORT ON FORM 10-Q AND THE DOCUMENTS INCORPORATED HEREIN BY REFERENCE, AS WELL AS STATEMENTS MADE IN PRESS RELEASES AND ORAL STATEMENTS THAT MAY BE MADE BY US OR BY OFFICERS, DIRECTORS OR EMPLOYEES ACTING ON OUR BEHALF, THAT ARE NOT STATEMENTS OF HISTORICAL FACT CONSTITUTE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT COULD CAUSE OUR ACTUAL RESULTS TO BE MATERIALLY DIFFERENT FROM HISTORICAL RESULTS OR FROM ANY FUTURE RESULTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. READERS SHOULD CONSIDER STATEMENTS THAT INCLUDE THE TERMS BELIEVE, BELIEF, EXPECT, PLAN, ANTICIPATE, INTEND OR THE LIKE TO BE UNCERTAIN AND FORWARD-LOOKING. IN ADDITION, ALL STATEMENTS, TRENDS, ANALYSES AND OTHER INFORMATION CONTAINED IN THIS REPORT RELATIVE TO TRENDS IN NET SALES, GROSS MARGIN, ANTICIPATED EXPENSE LEVELS AND LIQUIDITY AND CAPITAL RESOURCES, CONSTITUTE FORWARD-LOOKING STATEMENTS. POTENTIAL RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, THOSE SET FORTH IN THIS ITEM 2. PARTICULAR ATTENTION SHOULD BE PAID TO THE CAUTIONARY STATEMENTS INVOLVING THE COMPANY'S LIMITED OPERATING HISTORY, THE UNPREDICTABILITY OF ITS FUTURE REVENUES, THE COMPANY'S NEED FOR AND THE AVAILABILITY OF CAPITAL RESOURCES, THE EVOLVING NATURE OF ITS BUSINESS MODEL, AND THE RISKS ASSOCIATED WITH SYSTEMS DEVELOPMENT, MANAGEMENT OF GROWTH AND BUSINESS EXPANSION. EXCEPT AS REQUIRED BY LAW, THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENT, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE. ALL CAUTIONARY STATEMENTS MADE HEREIN SHOULD BE READ AS BEING APPLICABLE TO ALL FORWARD-LOOKING STATEMENTS WHEREVER THEY APPEAR. IN THIS CONNECTION, READERS SHOULD CONSIDER THE RISKS MORE FULLY DESCRIBED IN THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2000 FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE SEC) AND SHOULD NOT PLACE UNDUE RELIANCE ON ANY FORWARD-LOOKING STATEMENTS.

OVERVIEW

Since 1999, Bingo.com, Inc. (Bingo or the Company) has been focused on the development of prize-based, play for free Internet games, with an emphasis on entertainment. The Company began to experience revenue growth from these games in fiscal 2000. During the second and third quarter of 2001, the Company began to channel its efforts into the development of a skill-based Internet bingo game, know as Skill-Bingo(TM). Skill-Bingo will generate revenue from a network maintenance fee that will be charged to all players. The new Skill-Bingo game began operating and generating revenue on October 26, 2001.

The Company has incurred significant losses since inception, and as of September 30, 2001 had an accumulated deficit of \$7,829,000. Bingo will continue to incur losses until its Skill-Bingo game achieves sufficient market penetration and revenue grows. There can be no assurances that either will occur. Bingo.com has made a significant investment in the development of the Company's website, purchase of domain name, branding, marketing, and maintaining operations.

As of the date of this report, the Company has utilized substantially all of its available funding. The Company's continuation as a going concern will depend on its ability to generate sufficient cash flow from operations to cover operating costs, or to raise additional capital. No assurance can be given that the Company will be able to generate adequate cash flow to fund ongoing operating costs or to raise additional funds. In the absence of sufficient cash flow, the Company may be required to limit operations.

SOURCES OF REVENUE AND REVENUE RECOGNITION

Prior to September 1, 2001, Bingo generated the majority of its revenue from the sale of advertising on its website. Advertising revenue is recognized as the advertising campaign or impressions and clicks are made on the website. Accounts receivable are recorded net of advertising commissions.

Effective September 1, 2001, the Company has contracted an arms length party, NextLevel, to manage the sales of advertising on the Bingo.com Website (see Part II, Item 5 - Other Information). Under the terms of the agreement, NextLevel pays Bingo 50% of all advertising revenue generated from the Company's Website, subject to a minimum monthly fee of \$112,000.

In fiscal 2000, the Company adopted EITF No. 99-17 Accounting for Advertising Barter Transactions. EITF 99-17 provides that the Company recognize revenue and advertising expenses from barter transactions at the fair value only when it has a historical practice of receiving or paying cash for similar transactions. Bingo barter portions of the unsold advertising impressions generated by its website in exchange for advertising in media properties owned by third parties. The Company records revenues and costs for such barter transactions at the market value of the advertising exchanged, with no net income or loss recognized. Barter revenue totaled \$372,000 for the nine months ended September 31, 2001 and \$175,000 for the nine months ended September 31, 2000.

The Company enters into co-branding contracts with its corporate customers. The contracts provide the customer with the ability to allow its visitors the opportunity to play Bingo for free on the customer's website. A monthly fee is charged in accordance with the contract and is recognized in revenue on a monthly basis. Setup fees associated with co-branding contracts are recorded as revenue when the setup process has been completed.

RESULTS OF OPERATIONS

REVENUE

Revenue declined to \$334,000 for the quarter ended September 30, 2001, a decrease of 39% over revenue of \$544,000 for the same period in the prior year. Revenue for the nine months ended September 30, 2001 increased to \$1,391,000, an improvement of 130% over revenue of \$606,000 for the same period in 2000. The reduction in revenue for the third quarter of 2001 can be explained generally by the downturn in the North American economy and the erosion of the market for Internet advertising. More specifically, the Company had fewer people focused on selling advertising during the quarter ended September 30, 2001, largely because of the changes taking place in the business of the Company.

COST OF REVENUE

Bingo recorded cost of revenue of \$144,000 during the quarter ended September 30, 2001, a drop of \$131,000 or 48% compared to costs of \$275,000 for the same period in the prior year. The gross margin improved to 57% in 2001 from 50% in the third quarter of the prior year. For the year to date, cost of revenue increased to \$851,000, a change of \$548,000 or 181% compared to costs of \$303,000 for the same period in the prior year. The gross margin on sales decreased to 39% during the nine months ended September 30, 2001, compared to 50% during the same period in the prior year. Cost of revenue consists primarily of commissions paid on the sale of advertising and the market value of advertising exchanged in barter transactions (see above). The changes from the prior year can be explained by the erosion in the North American advertising market that occurred in 2001. It was more difficult to secure advertising revenues, and prices had to be dropped to account for the weaker market. In addition, the Company incurred license and service fees in connection with the licensing of the CrediPlay software that will be used to operate the Company's Skill- Bingo Website (see Part II, Item 5 - Other Information), starting in September 2001.

SALES AND MARKETING EXPENSES

Sales and marketing expenses dropped to \$57,000 for the quarter ended September 30, 2001, a decrease of \$164,000 over 2000 quarter three expenses of \$290,000. 2001 year to date expenses decreased by \$374,000 to \$221,000, from expenses of \$595,000 for the nine months ended September 30, 2000. Sales and marketing expenses include principally costs for marketing, co-brand advertising and keyword buys for our game site.

The balance of marketing and advertising expenses consists of payroll, consultant, and travel costs. All of these amounts decreased in 2001 as a result of changes to the business, particularly as a result of fewer employees being focused on selling. NextLevel performed sales activities for the Company starting in late August, but did not charge the Company for the service until September (see Part II, Item 5 - Other Information).

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist primarily of payroll costs for the Company's executive staff, accounting and administrative personnel, premises costs for the Company's office, legal and professional fees, insurance and other general corporate and office expenses. General and administrative expenses decreased to \$326,000 for the third quarter of 2001, a reduction of 61% over costs of \$834,000 for the same period last year. General and administrative expenses for the 2001 year to date period decreased by \$558,000 to \$1,303,000, a drop of 30% from the prior year's expenses of \$1,861,000. General and administrative expenses declined from the prior year as a result of changes to the business, including moving the Company's offices from California to Vancouver, and lower executive payroll. Company management also made greater efforts to control operating costs in order to reduce administrative and other expenses.

WEBSITE DEVELOPMENT EXPENSES

Website development expenses are the costs associated with developing content for and the maintenance of the Company's Website and planning costs associated with the new Skill- Bingo game. There were no costs incurred during fiscal 2001, while expenses totaled \$49,000 in the third quarter of 2000 and \$233,000 for the nine months ended September 30, 2000. The Company completed a software development agreement during the quarter ended September 30, 2001 in connection with the Skill- Bingo game (see Part II, Item 5 - Other Information). Under the terms of the agreement, the Company paid CDN\$300,000 to a third party for the development by of the Skill- Bingo game in accordance with the Company's requirements. The full amount of these costs has been capitalized to Website development costs.

The Company adopted EITF 00-2 Accounting for Web Site Development Costs and development costs incurred subsequent to June 30, 2000 associated with the Company's Web Site were recorded in accordance with EITF 00-2.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization includes depreciation on the Company's fixed assets, as well as amortization of the Bingo.com domain name. The Company capitalized the cost of the purchase of the domain name and is amortizing the cost over five years from the date of commencement of operations. Fixed assets are depreciated using the declining balance method over the useful lives of the assets, ranging from three to five years. Depreciation and amortization decreased to \$159,000 during the quarter ended September 30, 2001, from \$180,000 during the same quarter in the prior year. For the year to date, depreciation and amortization increased to \$496,000 compared to \$360,000 in the prior year. The changes in depreciation and amortization can be explained by the fact that the domain name rights were amortized for a longer period of time in fiscal 2001.

OTHER INCOME AND EXPENSES

Interest expense consists of accrued interest on the convertible debentures and other debt instruments, such as leases. Interest expense increased to \$41,000 for the three months ended September 30, 2001 compared to \$23,000 for the same period in the prior year. Interest expense for the 2001 year to date increased to \$100,000, an increase of \$77,000 over the prior year's expense of \$23,000. The increase is attributable to interest on the debenture drawdowns in 2001. The Company began drawing down the convertible debentures in April 2001, and interest began accruing at that time. There were no such debentures in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

The Company does not currently have an adequate source of reliable, long-term revenue to fund operations. As a result, Bingo is reliant on outside sources of capital funding. There can be no assurances that the Company will in the future achieve a consistent and reliable revenue stream adequate to support continued operations. In addition, there are no assurances that the Company will be able to secure adequate sources of new capital funding, whether it be in the form of share capital, debt, or other financing sources.

Bingo had cash and cash equivalents of \$24,000 and a working capital deficit of \$1,099,000 at September 30, 2001. This compares to cash and cash equivalents of \$174,000 and a working capital deficit of \$428,000 at December 31, 2000. The Company continued to incur costs but did not secure adequate new revenue to cover the costs, and this contributed to an erosion of working capital during the quarter ended September 30, 2001.

During the nine months ended September 30, 2001, Bingo used cash of \$603,000 in operating activities compared to using \$2,100,000 in the same period in the prior year. The reduction in cash used for operations in 2001 demonstrates the effect of the Company's efforts to reduce operating costs in 2001.

During the quarter ended September 30, 2001, Bingo received proceeds of \$150,000 from the secured convertible debentures issued by the Company in April, for total proceeds of \$900,000 for the 2001 year to date. The funds were used to fund working capital requirements. The debentures bear interest at a rate of 12% per year and are due in April 2006. The Company has an additional \$350,000 available under its \$1.25 million debenture facility.

RISK RELATED TO THE COMPANY'S BUSINESS

NEED FOR ADDITIONAL CAPITAL

The Company has recorded substantial operating losses and, as of September 30, 2001, has an accumulated deficit of approximately \$7,829,000. The Company does not currently have adequate cash flow or existing revenue to provide operating capital until December 31, 2001. However, subsequent to period end, the Company launched its new Skill- Bingo game, which it expects will provide additional funding to finance operations. There can be no assurances that adequate revenue will be achieved.

HISTORY OF LARGE OPERATING LOSSES

Since inception, the Company has not had adequate revenue to support operations, and has recognized substantially half of its revenues from barter transactions. The Company has significantly reduced ongoing operating expenses and, subsequent to period end, launched the Skill-Bingo game. However, there can be no assurance that the Company will achieve positive cash flow and operating profitability.

SUCCESS DEPENDS ON KEY PERSONNEL; NO KEY MAN LIFE INSURANCE

Future performance depends on the continued service of key personnel, and the ability to attract, train, and retain additional technical, marketing, customer support, and management personnel. The loss of one or more key employees could negatively impact the Company, and there is no key man life insurance in force at this time. Competition for qualified personnel is intense, and there can be no assurance that the Company will retain key employees, or attract and retain other needed personnel.

RISKS RELATED TO THE INTERNET AND E-COMMERCE

VOLATILITY IN STOCK PRICE

The stock market and especially the stock prices of Internet related companies have been very volatile. This volatility may not be related to the operating performance of the companies. The broad market volatility and industry volatility may reduce the price of the Company's stock without regard to the Company's operating performance. The market price of the Company's stock could significantly decrease at any time as a result of this volatility. The uncertainty that results from such volatility can itself depress the market price of the Company's stock.

DEPENDENCE UPON, AND RISKS RELATED TO, THE INTERNET

While management believes that acceptance and use of the Internet will continue to increase at rapid rates and that additional hits to the site will be made, there can be no assurances that such increase will continue to develop, or that use of the Internet as a means of communication and entertainment will continue or increase. If growth in the use of the Internet does not continue, there may not be an increase in the number of hits to the Company's website at the rates or for the purposes management has assumed.

This could, in turn, adversely impact the Company and the results of its business operations. Further, even if acceptance and use of the Internet does increase rapidly, but the technology underlying the Internet and other necessary technology and related infrastructure does not effectively support that growth, the Company's future would be negatively impacted.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As of September 30, 2001, Bingo had not entered into or acquired financial instruments that have material market risk. The Company has no financial instruments for trading purposes, or derivative or other financial instruments with off balance sheet risk. The majority of financial assets and liabilities are due within the next twelve months and are classified as current assets or liabilities in the consolidated balance sheet included in this report. The exception is the convertible debentures. The market value of the convertible debentures is not materially different from the book value because the debentures bear interest at market rates at the date of issuance. The fair value of all other financial instruments at September 30, 2001 is not materially different from their carrying value.

To September 30, 2001, substantially all revenues and the majority of cash costs have been realized or incurred in United States dollars. To date, the Company has not entered into foreign currency contracts to hedge against foreign currency risks between the Canadian dollar or other foreign currencies and our reporting currency, the United States dollar.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Other than described below, the Company is not currently a party to any legal proceeding, and was not a party to any legal proceeding during the fiscal period ended September 30, 2001. Management of the Company is currently not aware of any other legal proceedings proposed to be initiated against the Company. However, from time to time, the Company may become subject to claims and litigation generally associated with any business venture.

On July 6, 2001, Roger W. Ach, II, filed a complaint in the Court of Common Pleas, Hamilton County, Ohio against the Company in connection with a promissory note issued by the Company. Mr. Ach alleges that on or about May 16, 2001 the Company borrowed the sum of \$45,000 and executed and delivered to him a promissory note and that the Company owes him the amount of the Note together with interest from March 16, 2001 at the rate of prime plus 1%. Mr. Ach demands judgment against the Company in the sum of \$45,000, plus interest and costs.

On October 5, 2001, the Company filed an Answer, Counterclaim and third party complaint in defense of the proceedings commenced, among other things, denying the allegation that any moneys are due to Mr. Ach and counterclaiming against him and bringing a third party complaint against the Lottery Channel, Inc. for payment of outstanding invoices of \$39,168 plus interest, costs and attorney fees.

The Company believes that Mr. Ach's complaint is without merit and intends to vigorously defend these proceedings and believes it is not likely to produce an outcome which would have a material adverse effect on the Company's consolidated financial position or results of operations.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

See Notes to Consolidated Financial Statements included elsewhere in this report for a discussion of changes in securities and use of proceeds.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to the shareholders during the period.

ITEM 5. OTHER INFORMATION

The Company executed the following agreements during the quarter ended September 30, 2001:

ASSET PURCHASE & ASSIGNMENT AGREEMENT

Effective September 19, 2001, the Company entered into an asset purchase and assignment agreement (the Asset Agreement) with FYRC Inc., a British Virgin Islands incorporated company (FYRC), to purchase from FYRC the worldwide rights to all inventions related to a method for Skill-Bingo (the Skill-Bingo Inventions). A copy of the Asset Agreement is attached to this report as Exhibit 10.4.

Under the terms of the Asset Agreement, the Company acquired the worldwide right and title to the Skill-Bingo Inventions and the development of any and all existing or future substitute, divisional, continuation or continuation-in-part patent applications deriving directly or indirectly either in whole or in part from the Skill-Bingo Inventions and any Additional Patent Applications, and otherwise utilize the Skill-Bingo Inventions anywhere in the world, for consideration of 4% of the Gross Revenue derived by the Company commencing on the date of the Agreement and ending on December 31, 2098, with a minimum payment after five years of \$200,000.

The Company made an initial payment of \$5,000 on the execution of the Asset Agreement. Regular payments are due to commence on February 15, 2002, based on 4% of the Gross Revenue derived by the Company commencing on the date of the Asset Agreement and ending on December 31, 2001 (the First Business Quarter), and on the sixtieth (60th) day of each of the following Business Quarters following the First Business Quarter, 4% of the Gross Revenue of the Company for the immediately preceding Business Quarter.

SOFTWARE LICENSE, TECHNICAL SUPPORT, AND OPERATION OF CUSTOMER SERVICE & DATA CENTRE AGREEMENT

Effective September 1, 2001, the Company's wholly owned subsidiary Bingo.Com (Canada) Enterprises Inc. (Bingo Canada) entered into an agreement (the Software Agreement) with CYOP Systems Inc., a Barbados incorporated company (CYOP), with respect to the grant of a licence for a software program known as CrediPlay (the Software), developed by CYOP. Crediplay is an online financial network offering Pay-for-Play tournaments, and Pay-per-Use integrated games, products, and services for licensed users, and which includes an integrated credit card and financial payment processing application that permits licensed users to access and utilize the services of credit card organizations and collect, record, and distribute financial payments in the course of the licensed users' business activities. A copy of the Software Agreement is attached to this report as Exhibit 10.7.

Pursuant to the Software Agreement, CYOP has granted to Bingo Canada, an irrevocable, worldwide, perpetual license to use the Software for the support and operation of Bingo Canada's business, and CYOP will provide services for the operation of Bingo Canada's customer service and data center. The initial term of the agreement is three years. The license fee payable to CYOP under the terms of the agreement is 25% of the Network Maintenance Fees derived from the Skill- Bingo game (as defined in the agreement) by Bingo Canada, with a minimum monthly fee to CYOP of \$60,000. The service fee payable to CYOP under the terms of the agreement is 5% of Network Maintenance Fees received by Bingo Canada from the Skill-Bingo game, with a minimum monthly fee to CYOP of \$18,000, including all hosting duties.

SOFTWARE DEVELOPMENT AGREEMENT FOR SKILL-BINGO

Effective May 1, 2001, Bingo Canada entered into an agreement (the Development Agreement) with Moshpit Entertainment Inc., a British Columbia incorporated, wholly owned subsidiary of CYOP (Moshpit), with respect to the development of the Skill- Bingo game acquired by the Company from FYRC in connection with the Skill- Bingo Inventions. A copy of the Development Agreement is attached to this report as Exhibit 10.8.

Pursuant to the Development Agreement, Bingo Canada retained Moshpit to develop the Skill-Bingo game in the form of a computer program that incorporates design concepts and specifications as determined by Bingo Canada and set out in the Development Agreement, and that operates efficiently over the Internet, for an aggregate consideration of CDN\$300,000.

AGREEMENT FOR SITE MANAGEMENT, MARKETING AND INTERNET ADVERTISING SERVICES

Effective September 1, 2001, the Company signed an agreement (the Management Agreement) with NextLevel Inc., a British Columbia incorporated company (NextLevel) with regard to the provision by NextLevel of services, software and computer equipment to host the Company's Website on NextLevel's Web server for access by Internet users. A copy of the Management Agreement is attached to this Report as Exhibit 10.6.

Pursuant to the Management Agreement, NextLevel has acquired the right to the use of all of the advertisements and email lists which are available for inclusion or display in the Company's Website, and the right to retain all advertising fees paid by third parties for advertising on the Company's Website in consideration for which NextLevel will pay to the Company, monthly, in arrears, a non-refundable fee, equal to 50% of all advertising fees collected by NextLevel in the preceeding month, with a minimum monthly fee payable by NextLevel to the Company of \$112,000 per month.

WEBSITE HOSTING & MANAGEMENT AGREEMENT

Effective September 1, 2001, the Company entered into an agreement (the Hosting Agreement) with NextLevel.com Inc., a Nevada incorporated company (NextLevel.com), a wholly owned subsidiary of NextLevel, with regard to the provision of Website hosting services for the Company's Website. A copy of the Hosting Agreement is attached to this Report as Exhibit 10.5.

Pursuant to the Hosting Agreement, NextLevel has been engaged to provide full Website hosting services for the Company's Website, including the provision of a minimum of 100 gigabytes disk space, 15 MBS of sustained bandwidth related to the Website and site management to include systems administration on a 24/7 basis, daily site back-up with remote location back up and ongoing security monitoring, for consideration of a fee of \$12,000 per month. The Hosting Agreement provides that the Company may increase the sustained bandwidth for an additional fee. In evaluating the Skill-Bingo Inventions and negotiating the Asset Agreement, the Management Agreement, and the Hosting Agreement, the Company used criteria such as: market opportunity, competitive advantage, potential revenues and anticipated margins. The Company's board of directors determined that the consideration for each of these transactions was reasonable.

In evaluating and negotiating the Software Agreement and the Development Agreement, Bingo Canada used criteria such as: market opportunity, competitive advantage, potential revenues and anticipated margins. The Directors of Bingo Canada determined that the consideration for each of the transaction was reasonable.

Mr. White and Mr. Petersen, directors of the Company, are beneficial shareholders of FYRC, and disclosed their interest to the Company in advance of the approval of the Asset Agreement, and abstained from approving the Asset Agreement.

Mr. White, a director of the Company is a director, officer and beneficial shareholder of CYOP. CYOP is also the parent company of Moshpit. Mr. White disclosed his interest to the Company in advance of the approval of the Software Agreement and the Development Agreement, and abstained from approving either agreement

A company in which Mr. White, a director of the Company is a director, officer and beneficial shareholder of, has an agreement with respect to the acquisition of NextLevel and all of its subsidiaries. Mr. White, disclosed his interest to the Company in advance of the approval of the Management Agreement, and abstained from approving the Management Agreement.

AMENDED TERMINATION AGREEMENT

As previously disclosed in the Company's Current Report on Form 8-K, filed with the SEC on August 20, 2001, the Company entered into a termination agreement with Shane Murphy (the Murphy Agreement), the former President and a director of the Company. Effective November 9, 2001, the Company and Mr. Murphy agreed (the Second Agreement) to replace the Murphy Agreement with the following agreement:

AMENDED TERMINATION AGREEMENT (CONTINUED)

1. The Cdn\$120,000 cash payment stipulated in the Murphy Agreement is cancelled;
2. In accordance with the Murphy Agreement previously disclosed, the Company will pay Mr. Murphy Cdn\$130,000 by issuing to Mr. Murphy, 250,000 validly issued and outstanding fully paid and non-assessable Common shares of the Company (the Shares), issued as restricted securities and subject to the conditions of the resale exemption provided by U.S. Securities and Exchange Commission Rule 144;
3. The 750,000 shares of commons stock of Bingo previously issued to Mr. Murphy pursuant to the Murphy Agreement will be delivered into escrow (the Escrow) and not released to Mr. Murphy until the relevant regulatory hold periods have expired, and will then be released to Mr. Murphy on the 1st day of each following month at the rate of the greater of:
 - (i) 125,000 shares; or
 - (ii) that number of shares equal to 10% of the number of Bingo shares sold (viz. excluding double counting) through the NASDAQ Over the Counter Bulletin Board market during the preceding month;
4. All 1,100,000 stock options previously granted to Mr. Murphy to purchase up to 1,100,000 Common shares of the Company (the Options) held by Mr. Murphy will vest immediately, and will expire on August 31, 2003. Any shares issued pursuant to the exercise of Options will be held as part of the Escrow;
5. The Company and Mr. Murphy will execute mutual releases in favor of each other.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

EXHIBITS

The following instruments are included as exhibits to this Report. Exhibits incorporated by reference are so indicated.

EXHIBIT NUMBER -----	DESCRIPTION -----
4.1	\$1,250,000.00 Convertible Debenture**
4.2	Common Stock Purchase Warrant (Redruth Ventures Inc. a British Virgin Islands Corporation (RRV) and Bingo, Inc.**
4.3	Common Stock Purchase Warrant (Redruth Ventures Inc. a British Virgin Islands Corporation (RRV) and Bingo, Inc.**
10.1	Employment Agreement dated April 16, 2001, between the Company and Shane Murphy*
10.2	Termination Agreement dated August 17, 2001, between the Company and Shane Murphy***
10.3	Consulting Agreement dated August 20, 2001, between the Company T.M. Williams (Row), Ltd., and T.M. Williams***
10.4	Asset Purchase & Assignment Agreement dated September 18, 2001 between the Company and FYRC Inc.
10.5	Website Hosting & Management Agreement dated September 1, 2001 between the Company and NextLevel.com Inc.
10.6	Agreement for Site Management, Marketing and Internet Advertising Services Dated September 1, 2001 between the Company and NextLevel Inc.
10.7	Software License, Technical Support, And Operation Of Customer Service & Data Centre Agreement dated September 1, 2001 between Bingo.Com (Canada) Enterprises Inc., and CYOP Systems Inc.
10.8	Software Development Agreement For Skill-Bingo dated May 1, 2001 between Bingo.Com (Canada) Enterprises Inc., and Moshpit Entertainment Inc.

*Previously filed with the Company's quarterly report on Form 10-Q for the period ended June 30, 2001, on August 20, 2001.

**Previously filed with the Company's quarterly report on Form 10-Q for the period ended March 31, 2001, on June 25, 2001.

***Previously filed with the Company's current report on Form 8-K reporting events as at August 20, 2001, filed on August 27, 2001.

REPORTS ON FORM 8-K.

During the quarter covered by this report, the Company filed the following reports on Form 8-K.

Form 8-K filed on July 9, 2001, reporting on the events and outcome of the business conducted at the Company's Annual General Meeting held June 27, 2001.

Form 8-K filed on August 14, 2001, reporting the change of independent accountants from Grant Thornton, LLP to Davidson & Company, Chartered Accountants.

Form 8-K filed on August 27, 2001, reporting the changes in the board of directors and the executive officers of the Company.

Form 8-K/A filed on September 24, 2001, filing a copy of the letter of the Former Auditor, Grant Thornton LLP, on the change of independent accountants from Grant Thornton, LLP to Davidson & Company, Chartered Accountants.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

BINGO.COM, INC.

(Registrant)

Date:

November 12, 2001

/S/ Tryon Williams

*Tryon Williams, Chairman of the Board,
Chief Executive Officer, President and
Secretary
(Principal Executive and Accounting Officer)*

EXHIBIT INDEX

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Exhibit 10.4

ASSET PURCHASE & ASSIGNMENT AGREEMENT

THIS AGREEMENT dated the 18th day of September, 2001

BETWEEN:

FYRC INC.,

a corporation incorporated pursuant to the laws of the British Virgin Islands and having an office at 1st Floor, No 8 Pictet de Rochemont 1207, Geneva, Switzerland
(herein called the VENDOR)

OF THE FIRST PART

AND:

BINGO.COM, INC.,

a corporation incorporated pursuant to the laws of the state of Florida and having an office at 3rd Floor, 1286 Homer St. Vancouver, British Columbia, Canada

(herein called the PURCHASER)

OF THE SECOND PART

WITNESSES THAT WHEREAS:

A. The Vendor has acquired all right, title and interest, in the United States of America and the world, in and to certain inventions related to a method for Skill-Bingo (the SKILL-BINGO INVENTIONS), as disclosed in the proposed patent application attached hereto as Schedule B (the SKILL BINGO PATENT APPLICATION) and is desirous of selling, assigning, transferring and relinquishing to the Purchaser all of its right, title and interest in and to the Skill-Bingo Inventions, on those terms and conditions hereinafter set forth;

B. The Purchaser is desirous of purchasing and acquiring from the Vendor and confirming that it has acquired all right, title and interest in the United States of America and the world, in and to the Skill-Bingo Inventions, on those terms and conditions hereinafter set forth;

NOW THEREFORE in consideration of the premises and the respective covenants, agreements representations and warranties of the parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged) the parties hereto covenant and agree as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 For the purposes of this Agreement, unless the context otherwise requires, the following terms will have the respective meanings set out below and grammatical variations of such terms will have corresponding meanings:

(a) Agreement means this Asset Purchase & Assignment Agreement;

(b) Business Quarter means the period of three consecutive months commencing on October 1, 2001 and on each three month anniversary thereof, as case may be;

(c) Cumulative Gross Revenue at any particular time means the Gross Revenue of the Purchaser derived from all sources utilizing the Skill-Bingo Inventions for the period commencing on the date of this Agreement and ending at that time;

(d) Gross Revenue means, in respect of any specified period, the gross revenue of the Purchaser derived from the utilization of the Skill-Bingo Inventions for that period, without setoff of any kind, as determined in accordance with United States of America generally accepted accounting principles and, where the period specified is a Business Quarter, reportable as such on the financial statements of the Purchaser for that Business Quarter (or, where that Business Quarter is the fourth Business Quarter of a fiscal year of the Purchaser, the financial statements of the Purchaser for that fiscal year, being, by implication, the difference between the gross revenue of the Purchaser reportable therein for that fiscal year and the aggregate gross revenue of the Purchaser previously reported for the first three Business Quarters of that fiscal year) required to be filed with the United States of America Securities and Exchange Commission;

(e) Purchase Price means the greater of:

(i) Two Hundred Thousand United States Dollars (U.S.\$200,000); and

(ii) 4% of the Gross Revenue derived by the Purchaser during the period commencing on Closing and ending on December 31, 2098; and

payable to the Vendor for all of the right, title and interest of the Vendor in and to the Skill Bingo Inventions, as provided in Section 3 herein;

(f) Skill Bingo Inventions means those inventions related to a method for Skill Bingo disclosed in the Skill Bingo Patent Application; and

(g) Skill Bingo Patent Application means the proposed patent application attached as Schedule B to this Agreement.

1 DEFINITIONS AND INTERPRETATION (CONTINUED)

1.2 The division of this Agreement into sections and subsections and the insertion of headings are for convenience of reference only and will not affect the interpretation of this Agreement. Unless otherwise indicated, any reference in this Agreement to a section or subsection refers to the specified section or subsection of this Agreement.

1.3 In this Agreement, words importing the singular number only will include the plural and vice versa, words importing gender will include all genders and words importing persons will include individuals, corporations, partnerships, associations, trusts, unincorporated organizations, governmental bodies and other legal or business entities of any kind whatsoever.

1.4 In this Agreement hereof, herein, hereby, hereto and similar terms refer to this Asset Purchase & Assignment Agreement and not to any particular clause, paragraph or other part of this Agreement. References to particular clauses are to clauses of this Agreement unless another document is specified.

1.5 In this Agreement including means including without limitation or prejudice to the generality of any description, definition, term or phrase preceding that word, and the word include and its derivatives will be construed accordingly.

2 PURCHASE AND SALE -- ASSIGNMENT

2.1 For and in consideration of the covenant and agreement of the Purchaser to pay the Purchase Price to the Vendor as herein provided, the sufficiency of which is hereby acknowledged by the Vendor, the Vendor hereby confirms that the Vendor has sold, assigned and transferred, and by these presents does hereby sell, assign and transfer to the Purchaser the entire right, title and interest in the United States of America and in the world in and to the Skill-Bingo Inventions, including without limitation:

(a) all right, title and interest in the United States of America and in the world in, to and under the Skill-Bingo Patent Application and any registration issuing thereunder and any other patents for the Skill-Bingo Inventions, anywhere in the world;

(b) the right to file the Skill-Bingo Patent Application and additional patent applications in any country for said Skill-Bingo Inventions, and to do so in its own name (such applications hereinafter referred to as Additional Patent Applications);

(c) all right, title and interest in the United States of America and in the world in any and all existing or future substitute, divisional, continuation or continuation-in-part patent applications deriving directly or indirectly either in whole or in part from the Skill Bingo Patent Application or the Skill Bingo Inventions and any Additional Patent Applications (such applications hereinafter referred to as Derivative Applications);

(d) all right, title and interest in the United States of America and in the world, in, to and under all patents granted directly or indirectly on or as a result of the Skill-Bingo Patent Application, any Additional Applications, and any Derivative Bingo Like Applications, and any reissues, renewals or extensions thereof;

(e) the right to claim benefits available in any country under the International Convention For The Protection of Industrial Property, and any like treaties or laws; and

(f) the right to claim and to the benefit of any priority dates established by the Skill-Bingo Inventions or the Skill-Bingo Patent Application; free and clear of all encumbrances, the same to be owned, held and enjoyed by the Purchaser and its his successors and assigns as fully and exclusively as it would have been held and enjoyed by the Vendor had this sale, assignment and transfer not been made.

3 PAYMENT OF THE PURCHASE PRICE

3.1 The Purchaser will pay the Purchase Price to the Vendor as follows:

(a) upon execution of this Agreement, the sum of Five Thousand United States Dollars (U.S.\$5,000.00) by wire transfer to the account of the Vendor in accordance with the following instructions:

To: Barclays Bank
St. Peters Port
Guernsey
Channel Islands

Swift Code: BARCGB22

Sort Code 20-35-32

For Credit To:
the account of: FYRC Inc.

Account Number: 52139188

Advising: John Wright/David Bertram

Tel. +44-1481-705606

(b) at those times specified in Schedule A attached hereto, the balance of the Purchase Price in those amounts specified in that schedule, by wire transfers to the account of the Vendor in accordance with the instructions specified in section 3.1(b), with the account number of the Vendor being such number as the Vendor shall have advised the Purchaser in writing prior to the date upon which the first such payment is required to be made.

3.2 The Purchaser will, on or before February 15, 2002, report to the Vendor in writing the Gross Revenue of the Purchaser for the period commencing on the date of this Agreement and ending on December 31, 2001 and will on or before the forty-fifth (45th) day after the end of each Business Quarter of the Purchaser, report to the Vendor in writing the Gross Revenue of the Purchaser for that Business Quarter.

4 DEFAULT

4.1 In the event that the Purchaser fails to make a payment in respect of the Purchase Price as provided in this Agreement, the Vendor will notify the Purchaser in writing of such default (a Default Notice) and upon receipt of any particular Default Notice, the Purchaser shall have sixty (60) days within which to make the payment specified therein as being outstanding (the Default Period in respect of such Default Notice).

4.2 The Purchaser hereby grants to the Vendor a security interest (the Security Interest) in the Patent and in all of the Purchaser's rights, title and interest in the Patent, to secure payment due payment of the Purchase Price to the Vendor in accordance with the terms of this Agreement. The Purchaser agrees that the Security Interest will attach to the Patent immediately upon execution of this Agreement and that, to the extent necessary to give full effect to the Security Interest, this clause is intended to constitute a Security Agreement as defined in the Personal Property Act of British Columbia, as amended from time to time. This Security Agreement is separate from and will survive the termination, expiry or disclaimer of the remaining provisions of this Agreement. If the Purchaser fails to make due payment of the Purchase Price in accordance with the terms of this Agreement, the Vendor itself, or by its agents, employees, or by a receiver appointed by the Vendor, may realize upon the Patent and enforce the Security Interest by all or any of the remedies, methods or proceedings authorized or permitted by law, including without limitation all rights, remedies and methods available to a secured party under the said Personal Property Security Act and any other similar statutes from time to time in force in British Columbia.

5 REPRESENTATIONS AND WARRANTIES OF THE VENDOR

5.1 The Vendor represents and warrants to the Purchaser, with the intent that the Purchaser will rely thereon in entering into this Agreement, that:

(a) the Vendor is a corporation duly incorporated, validly existing, and in good standing under the laws of the British Virgin Islands and has the power, authority, and capacity to enter into this Agreement and to carry out its terms;

(b) the execution and delivery of this Agreement and the completion of the transaction contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of the Vendor, and this Agreement constitutes a valid and binding obligation of the Vendor enforceable against the Vendor in accordance with its terms;

(c) the Vendor is the legal and beneficial owner of the Skill-Bingo Inventions, free and clear of all encumbrances whatsoever, and is not a party to or bound by any contract or any other obligation whatsoever that limits or impairs its ability to sell, transfer, assign or convey, or that otherwise affects, the Skill-Bingo Inventions;

(d) the Vendor has the right to convey, assign and transfer all of the right, title and interest in the Skill-Bingo Inventions in the manner provided herein;

(e) no person other than the Purchaser has been granted any interest in or right to use the Skill-Bingo Inventions or any portion thereof; and

(h) the Vendor is not aware of any claim of infringement (or the inducing of or contribution to the infringement) of any intellectual property rights of any other person arising from the use of the Skill-Bingo Inventions, nor has the Vendor received any notice that use of the Skill-Bingo Inventions infringes upon or breaches or will infringe upon or breach any intellectual property rights of any other person;

6 COVENANTS OF THE VENDOR

6.1 The Vendor hereby covenants and agrees to do all such things and to execute or obtain execution without further consideration of such further lawful documents, assurances, applications and other instruments as may be reasonably required to make and prosecute at Purchasers cost any and all patent applications in the United States of America and anywhere else in the world on the Skill-Bingo Inventions; to enforce, at Purchasers cost, any patents arising from or out of the Skill-Bingo Inventions, the Skill-Bingo Patent Application and any and all patents in the United States of America, Canada or elsewhere on the Skill-Bingo Inventions, and to confirm in the Purchaser or its successors and assigns, legal title in the United States of America, and anywhere else in the world, to the Skill-Bingo Inventions, the Skill-Bingo Patent Application, all Additional Applications and Derivative Applications and all United States patents and United States applications, Canadian patents and Canadian patent applications and any other patents or applications for patents, anywhere in the world, on the Skill-Bingo Inventions.

7 REPRESENTATIONS OF THE PURCHASER

7.1 The Purchaser represents and warrants to the Vendor as follows, with the intent that the Vendor will rely thereon in entering into this Agreement that:

(a) the Purchaser is a corporation duly incorporated, validly existing, and in good standing under the laws of State of Florida and has the power, authority, and capacity to enter into this Agreement and to carry out its terms; and

(b) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby has been duly and validly authorized by all necessary corporate action on the part of the Purchaser, and this Agreement constitutes a valid and binding obligation of the Purchaser in accordance with its terms.

8 COVENANTS OF THE PURCHASER

8.1 The Purchaser hereby covenants and agrees that, until the Purchase Price has been paid in full by the Purchaser, the Purchaser will not assign, transfer, relinquish, dispose of or encumber in any manner any right, title, benefit or interest in and/or to the Skill-Bingo Inventions and/or the Skill-Bingo Patent Application without the written consent of the Vendor.

8.2 The Purchaser hereby grants to the Vendor an irrevocable, worldwide, perpetual license to use the Patent for the development, support and operation of games which are not based upon or similar to bingo or bingo like games. For greater certainty, the foregoing license does not permit the Vendor to use the Patent in respect of any bingo or bingo like games regardless of the name of such other games. The above license includes the right to grant sublicenses to use the Patent for the development, support and operation of games which are not based upon or similar to bingo or bingo like games, provided that the terms of the sublicenses shall be subject to the same terms and conditions as set out in this Agreement.

9 TAXES

9.1 The Purchaser will be liable for and will pay all applicable sales taxes properly payable in connection with the sale of the Patent by the Vendor to the Purchaser.

10 SUCCESSORS AND ASSIGNS

10.1 This Agreement will enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

11 ENTIRE AGREEMENT

11.1 This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as herein provided.

12 TIME OF ESSENCE

12.1 Time will be of the essence of this Agreement.

13 APPLICABLE LAW

13.1 This Agreement will be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties will be governed by, the laws of the state of Washington and the federal laws of the United States applicable therein without reference to its choice of law rules, and each party hereby submits to the jurisdiction of the state of Washington and all courts competent to hear appeals therefrom.

14 AMENDMENT AND WAIVER

14.1 No amendment or waiver of any provision of this Agreement will be binding on either party unless consented to in writing by such party. No waiver of any provision of this Agreement will constitute a waiver of any other provision, nor will any waiver constitute a continuing waiver unless otherwise provided.

15 SEVERABILITY

15.1 If any provision or any part thereof is held by a court of competent jurisdiction, after appeals therefrom have been exhausted, to be unenforceable, invalid or illegal, then it will be severable or deemed to be limited in respect of such territory and time to the extent necessary to render such provision enforceable, valid or legal, and the remaining provisions will remain valid and binding.

16 COUNTERPARTS

16.1 This Agreement may be executed in several counterparts, each of which will be deemed to be an original and all of which will together constitute one and the same instrument.

17 ELECTRONIC MEANS

17.1 Delivery of an executed copy of this Agreement by electronic facsimile transmission, telecopy, telex, or other means of electronic communication producing a printed copy will be deemed to be execution and delivery of this Agreement on the date of such communication by the party so delivering such copy.

18 NOTICES

18.1 Any notice or other documents required or permitted to be given under this Agreement will be in writing and may be given by personal service, telecopier or by prepaid registered mail, posted in Canada or by certified mail, posted in the United States, and addressed to the proper party at the address stated below:

(c) IF TO THE VENDOR:

FYRC Inc.
1st Floor, No 8 Pictet de Rochemont 1207, Geneva, Switzerland
Telecopier No.: +41-22-736-8154
Attention: Newman Leech

(d) IF TO THE PURCHASER:

Bingo.com, Inc.
3rd Floor, 1286 Homer Street Vancouver, British Columbia Canada
Telecopier No.: (604) 647-6422
Attention: T.M.Williams

or to such other address as any party may specify by notice. Any notice sent by telecopier will be deemed conclusively to have been effectively given and received at the time of successful transmission. Any notice sent by registered mail as aforesaid will be deemed conclusively to have been effectively given and received on the fifth business day after posting; but if at the time of posting or between the time of posting and the fifth business day thereafter there is a strike, lockout or other labour disturbance affecting postal service, then such notice will not be effectively given until actually received.

IN WITNESS WHEREOF the parties have executed and delivered this Agreement on the 18th day of September, 2001

FYRC INC.

Per: /s/ Newman Leech

Control Services Corp. on behalf of FYRC
Authorized Signatory

BINGO.COM, INC.

Per: /s/ Tryon Williams

Authorized Signatory

SCHEDULE A

PAYMENT SCHEDULE FOR BALANCE OF PURCHASE PRICE

The balance of the Purchase Price shall be payable to the Vendor at the following times in the following amounts:

1. on February 15, 2002 -- Four percent (4%) of the Gross Revenue of the Purchaser for the period commencing on the date of this Agreement and ending on December 31, 2001 (the First Business Quarter);
2. on the sixtieth (60th) day of each of the nineteen (19) Business Quarters next following the First Business Quarter -- Four percent (4%) of the Gross Revenue of the Purchaser for the immediately preceding Business Quarter;
3. on the sixtieth (60th) day of the Business Quarter (the Minimum Payment Business Quarter) next following those nineteen Business Quarters specified in section 2 above:
 - (a) if Four percent (4%) of the Cumulative Gross Revenue of the Purchaser to the end Business Quarter immediately preceding the Minimum Payment Business Quarter exceeds U.S.\$195,000 -- Four percent (4%) of the Gross Revenue of the Purchaser for the Business Quarter immediately preceding the Minimum Payment Business Quarter; or
 - (b) if Four percent (4%) of the Cumulative Gross Revenue of the Purchaser to the end Business Quarter immediately preceding the Minimum Payment Business Quarter is less than U.S.\$195,000 -- the difference between U.S.\$200,000 and the aggregate of all payments theretofore made by the Purchaser in respect of the Purchase Price;
4. in those Business Quarters, if any, after the Minimum Payment Business Quarter in respect of which Four percent (4%) of the Cumulative Gross Revenue of the Purchaser to the end of the immediately preceding Business Quarter is less than or equal to U.S.\$195,000 -- no payment;
5. on the sixtieth (60th) day of the first Business Quarter after the Minimum Payment Business Quarter in respect of which Four percent (4%) of the Cumulative Gross Revenue of the Purchaser to the end of the immediately preceding Business Quarter exceeds U.S.\$195,000 -- the lesser of Four percent (4%) of the Gross Revenue of the Purchaser for the immediately preceding Business Quarter and the difference between Four percent (4%) of the Cumulative Gross Revenue of the Purchaser to the end of the immediately preceding Business Quarter and U.S.\$195,000;
6. on the sixtieth (60th) day of each Business Quarter thereafter, to and including the Business Quarter commencing on January 1, 2099 -- Four percent (4%) of the Gross Revenue of the Purchaser for the immediately preceding Business Quarter.

EXHIBIT 10.5

[NEXTLEVEL LOGO]

WEBSITE HOSTING & MANAGEMENT AGREEMENT

This Agreement is between Bingo.com Incorporated, a corporation incorporated pursuant to the laws of the Province of British Columbia with offices located at 3rd Floor, 1286 Homer Street, Vancouver, British Columbia, Canada, V6B 2Y5(Bingo.com)

and

NextLevel.com Inc., a corporation incorporated pursuant to the laws of the State of Nevada, with offices located at 3rd Floor, 1286 Homer Street, Vancouver, British Columbia, Canada, V6B 2Y5(NextLevel).

WHEREAS, Bingo.com owns and controls the Web site and Bingo.com needs to have the Web Site hosted.

WHEREAS, NextLevel is in the business of providing hosting services (the Services) and

WEBSITE HOSTING & MANAGEMENT AGREEMENT (CONTINUED)

WHEREAS, Bingo.com wishes to engage NextLevel's Services and NextLevel wishes to be engaged by Bingo.com to provide the Services for Bingo.com sites.

NOW THEREFORE, in consideration of the promises and mutual covenants herein set forth, the parties agree as follows:

4 DEFINITIONS

4.1 The Web Site shall mean all graphics, text, audio, video, and links found on the following URLs, including pages internally linked to these URLs:

4.1.1 <http://www.bingo.com>

4.2 The site includes all software and services associated with Bingo.com.

5 THE SERVICES PROVIDED BY NEXTLEVEL

5.1 NextLevel shall host the Web Site in accordance with its terms and conditions as set out in this Agreement.

5.2 NextLevel shall pay up front for all bandwidth used in presenting the Web Site on the Internet (subject to Section 4).

5.3 NextLevel shall provide full web site hosting Services to Bingo.com for the Web Site, including, but not limited to, e- mail servers, and on- line database storage. These services shall be provided in accordance with standard business practices.

5.4 Bingo.com understands that there will be both scheduled and unscheduled down time for the Web Site, and that NextLevel will undertake reasonable steps to ensure that the down time is kept to a minimal amount.

5.5 Scheduled down time shall not exceed 5 hours in any given calendar month.

5.6 Bingo.com shall hold NextLevel harmless from any lost revenue, or damages of any sort that may arise as a result of both scheduled and unscheduled down time.

6 TERM

6.1 This Agreement shall commence and be deemed effective on the date when fully executed (the Effective Date). This Agreement is in effect for a period of One Year (the Term) and shall be automatically renewed with two- year terms, subject to the occurrence of an Event of Termination. An Event of Termination shall mean any one of the following:

6.2 Bingo.com gives NextLevel 90 days written notice of termination of this Agreement;

6.3 NextLevel gives the Bingo.com 90 days written notice of termination of this Agreement;

6.4 Either party is in breach of any of its representations, warranties, or obligations under this Agreement, and such breach is not cured within 14 calendar days;

6.5 The other party has not received any payment when due under this Agreement; or

6.6 Either party becomes bankrupt or insolvent or ceases to carry on business for any reason, and gives the other party five days notice of same.

6.7 Upon termination of this Agreement, NextLevel shall return to Bingo.com any and all of Bingo.com's materials to which Bingo.com has a proprietary right and are in NextLevel's possession and/or in the possession of the NextLevel's agents, servants and employees within 7 days of the Event of Termination.

7 COMPENSATION

7.1 Bingo.com shall pay to NextLevel a Fee of US\$12,000.00 per month and services shall include the following:

- 7.1.1 100 gigabytes disk space
- 7.1.2 Domain name (URL will be <http://www.bingo.com>)
- 7.1.3 15 MBS sustained traffic.
- 7.1.4 Site management including
 - 7.1.4.1 Systems Administration on a 24/7 basis
 - 7.1.4.2 Secure Storage
 - 7.1.4.3 Co-location
 - 7.1.4.4 Daily Site Back-up with remote location back up.
 - 7.1.4.5 Ongoing security monitoring

7.2 Fees are payable within 15 days of invoice, which shall be at the end of each calendar month. Interest of 2% per month is payable for late payment.

7.3 Bingo.com shall be responsible for paying any and all fees due to Internic in conjunction with the URL's being hosted and/or transferred.

7.4 NextLevel shall provide Bingo.com 15 MBS of sustained bandwidth related to the Web Site.

7.4.1 Bingo.com shall reserve the right to ask to increase its sustained bandwidth at a rate of no more than \$1000.00 MBS and shall provide same request in writing.

7.4.2 NextLevel shall reply within 5 days to the request.

7.5 Bingo.com shall pay to NextLevel storage fees equal to \$0.40 per Megabyte per month for each Megabyte of storage exceeding 100 Gigabytes.

7.6 Additional services requested by Bingo.com shall be quoted on a case-by-case basis.

8 USE OF MATERIAL

8.1 Public domain materials (e.g., images, text, and programs) may be downloaded or uploaded using NextLevel services. Bingo.com may also re-distribute materials in the public domain. Bingo.com assumes all risks regarding the determination of whether the material is in the public domain.

8.2 As provided by United States federal law and by International treaties, copyrighted materials (e.g., images, text, and programs) may not be uploaded using NextLevel services without the permission of the copyright holder. Copyrighted materials may be downloaded for personal use. Except as expressly permitted, materials under copyright may not be distributed to others. Copyrighted material may not be changed nor can the author attribution notices nor the copyright notices be modified.

9 USE OF SERVICES

9.1 NextLevel agrees to maintain a secure password to the account. Secure passwords are those that are between 6 and 8 characters long, contain upper and lower case letters, and numbers or other characters, and can not be found in direct or reverse order in a dictionary, without regard to the language of the dictionary. The Customer is solely responsible for changing its password as required to assure secure access to its account and for providing Bingo.com same.

9.2 Bingo.com agrees to use the Services provided by NextLevel as permitted by applicable local, provincial, state, and federal laws. Bingo.com agrees, therefore, not to use the Services to conduct any business or activity or solicit the performance of any activity that is prohibited by law, libelous, or against any NextLevel policy.

9.3 Bingo.com is solely responsible for any legal liability arising out of, or relating to, their Web Site at NextLevel. Bingo.com represents and warrants to NextLevel that it holds the necessary rights to permit the use of any of the items on his/her web site, and, that the use, reproduction, distribution, transmission or display of any data to the public, and any material to which the public can link through, or any products of services made available to the public through his/her web site, will not -

9.3.1 Violate or potentially violate any criminal laws or any rights of any third parties, including, but not limited to, such violations as infringement or misappropriation of any copyright, patent, trademark, trade secret, music, image, or other proprietary or property right, false advertising, unfair competition, defamation, business or personal dispute or argument, invasion of privacy or rights of celebrity, violation of any anti discrimination law or regulation, or any other right of any person or entity, or any personal or business argument or dispute; or

9.3.2 Contain any material that is: unlawful, harmful, fraudulent, libelous, slanderous, threatening, abusive, harassing, defamatory, vulgar, obscene, profane, hateful, racially, ethnically, argumentatively or otherwise objectionable, including, without limitation, any material that encourages conduct that would constitute a criminal offense, give rise to civil liability, or otherwise violate any applicable local, provincial, state, national or international law. Bingo.com agrees to indemnify and to hold NextLevel, and any third party entities related to NextLevel, harmless from and against any and all liability, loss, damages, claims, or causes of action, including reasonable legal fees and expenses arising out of or related to:

9.3.2.1 Bingo.com's breach of any of the forgoing representations and warranties, or

9.3.2.2 Any other third party claim with respect thereto.

9.4 Use of other organizations' networks or computing resources is subject to their respective permission and usage policy.

9.5 NextLevel will endeavor to prevent viruses from corrupting NextLevel systems. NextLevel may run anti-virus programs on Bingo.com to minimize damages.

10 LIMITED LIABILITY

10.1 To the maximum extent permitted by applicable law, Bingo.com understands, agrees and acknowledges that in no event and under no legal theory, shall Nextlevel be liable to customer or any third party for, including but not limited to, the loss of customer's domain name; any business loss, revenue decrease, expense increase; costs of substitute products/services; or any consequential, special, incidental, punitive or indirect damages of any kind arising from, including but not limited to, the use, or inability to use, any of NextLevel's services; any malfunction or incompatibility of technologies included with NextLevel's services; any technologies added, removed or altered by customer or third party, including but not limited to, scripts and/or software used for or on the creation or operation of customer's website. All of the foregoing is applicable regardless of whether Nextlevel has been advised of the possibility of such damages. In no event shall NextLevel's liability exceed the initial fee or one

(1) month's fee paid by customer to Nextlevel. This limitation of liability and risks is reflected in the price of NextLevel's services.

10 LIMITED LIABILITY (CONTINUED)

10.2 Bingo.com understands, agrees and acknowledges that NextLevel makes an honest effort to provide the Customer with Technologies, Developments and Innovations and that some of them are being licensed, or co-branded, from or by, third-party entities. However, NextLevel can make no warranty of any kind, either expressed or implied, regarding the quality, accuracy, reliability or validity for the application(s), data and/or information involved in such items. NextLevel specifically disclaims all warranties of merchantability and fitness for a particular purpose. The use of these application(s), data and/or information obtained from or through NextLevel, or any other referred third-party, directly or indirectly, is at the risk of Bingo.com.

11 IP ADDRESSES

11.1 NextLevel maintains control and ownership of any and all IP numbers and IP addresses that may be assigned to the Customer and reserves in its sole discretion the right to change or remove any and all IP numbers and addresses.

12 MISCELLANEOUS PROVISIONS

12.1 This Agreement constitutes the entire agreement between Bingo.com and NextLevel with respect to the subject matter hereof and there are no representations, understandings or agreements that are not fully expressed in this agreement.

12.2 All figures quoted in this Agreement are in United States Currency (US Dollars).

12.3 Each of the parties hereby covenants and agrees that at any time upon the request of the other party, to, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, and documents as may be required for the better carrying out and performance of all the terms of this Agreement.

12.4 NextLevel and its personnel and/or agents, in performance of this Agreement, are acting as independent contractors and not employees or agents of Bingo.com. Any personnel and/or agents of NextLevel shall not have the authority to bind Bingo.com or otherwise create legal obligations on behalf of Bingo.com. Likewise, Bingo.com and its personnel and/or agents in performance of this Agreement, are acting as independent contractors and not employees or agents of NextLevel. Any personnel and/or agent of Bingo.com shall not have the authority to bind NextLevel or otherwise create legal obligations on behalf of NextLevel.

12.5 No amendment, change, waiver, or discharge thereof shall be valid unless in writing and executed by both parties.

12.6 If the performance of any of this Agreement by either party is prevented, hindered, delayed or otherwise made impracticable by reason of any flood, riot, fire, judicial or government action, labor dispute, act of God or any causes beyond the control of either party, that party shall be excused from such to the extent that it is prevented, hindered or delayed by such causes, provided that the party claiming force majeure has taken all reasonable measures to avoid such cause.

12.7 This Agreement shall be governed in all respects by the laws of the State of Nevada.

12.8 Any dispute between the parties to this Agreement shall be resolved and determined by arbitration in accordance with the Nevada Arbitration Act and subject to the provisions of this section. Any arbitration shall be held in Nevada, and the arbitrator shall be required to determine all issues in accordance with then existing case law and statutory laws of the State of Nevada. Any award of damages shall not exceed \$25,000 plus amounts then owing under the Agreement. Under no circumstances shall punitive damages be awarded. The parties shall use good faith efforts to select a single arbitrator within 10 days of the submission of the dispute to arbitration hereunder. If the parties fail to agree on a single arbitrator during such 10-day period, each party shall select one arbitrator, and within 10 business days after such selections, the two arbitrators shall appoint the third arbitrator who shall be the sole arbitrator of the dispute. The decision of such arbitrator shall be conclusive and binding, without right of appeal to the court, upon the parties and their respective heirs, executors, administrators and assigns. All fees and expenses of the arbitrators and all other expenses of the arbitration shall be borne equally by the parties. A court action to confirm an arbitrator's award may be filed and prosecuted in a court of competent jurisdiction by either party. Any and all costs, including but not limited to attorneys' fees and court costs, incurred by the parties in such an action to confirm the arbitration award shall be borne by the prevailing party.

12 MISCELLANEOUS PROVISIONS (CONTINUED)

12.9 Any notice provided pursuant to this Agreement shall be in writing and may be sent only by facsimile, personal delivery, registered or certified mail (return receipt requested), or by courier shipment. The day of mailing of any such notice will be deemed the date of the giving thereof (except notices of change of address, the date of which will be the date of receipt by the receiving party). All notices shall be addressed as follows (or to such other address as either party may in the future specify in writing to the other party):

In the case of NextLevel:

Patrick Smyth
NextLevel.com Inc.
Suite 300
1286 Homer Street
Vancouver, BC Canada V6B 2Y8 Tel: (604) 647-6400
Fax:(604) 647-6422

In the case of Bingo.com:

Tarrnie Williams
Suite 300
1286 Homer Street
Vancouver, BC Canada V6B 2Y8 Tel: (604) 647-6407
Fax:(604) 647-6422

12.10 The waiver of failure of either party to exercise any right in any respect provided for herein shall not be deemed a waiver of any further right hereunder or a subsequent exercise of the same right.

12.11 If any provision of this Agreement is determined to be invalid under any applicable statute or rule of law, it is to that extent to be deemed omitted, and the balance of the Agreement shall remain enforceable.

12.12 This Agreement will be binding upon and ensure to the benefit of the parties hereto and their respective heirs and executors and successors and assigns as the case may be.

12.13 This Agreement may be executed in any number of counterparts with the same effect as if all parties to this Agreement had signed the same document and all counterparts will be construed together and will constitute one and the same instrument and any facsimile Bingo.com shall be taken as an original.

12.14 Time shall be of the essence.

12.15 The section headings used herein are for reference and convenience only and shall not enter into the interpretation hereof.

12.16 All provisions of this Agreement relating to Bingo.com and/or NextLevel's warranties, indemnification, proprietary rights, limitations of liability, and payment obligations shall survive the termination or expiration of this Agreement. As of the effective date of termination, a settlement in respect to any outstanding amounts shall be made within thirty (30) days.

12.17 In the interpretation of this Agreement or any provision hereof, no inference shall be drawn in favor of or against any party by virtue of the fact that one party or its agents may have drafted this Agreement or such provision.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives on the 1st day of September 2001.

BINGO.COM, INC.

NEXTLEVEL.COM INC.

/S/ TARRNIE WILLIAMS

/S/ PATRICK SMYTH

Tarrnie Williams, CEO

Patrick Smyth, President

Exhibit 10.6

**AGREEMENT FOR SITE MANAGEMENT, MARKETING AND
INTERNET ADVERTISING SERVICES**

THIS AGREEMENT is made the 1st day of September 2001.

BETWEEN:

NEXT LEVEL INC., a limited liability company incorporated under the laws of the Nevada and having its principal offices at 3rd Floor, 1286 Homer Street, Vancouver, British Columbia, V6B 2Y5

(the OPERATOR)

AND:

BINGO.COM, INC., a limited liability company incorporated under the laws of Florida and having its principal offices at 3rd Floor, 1286 Homer Street, Vancouver, British Columbia, Canada, V6B 2Y5

(the COMPANY)

BACKGROUND:

A. The Company operates and maintains an Internet portal or Website that hosts, operates, and organizes skill-based bingo tournaments and competition and provides an online reference for information and activities relating to bingo (the BUSINESS).

B. The Operator has the necessary personnel, resources, experience, skills, and background in the provision of website hosting, site management, marketing and internet advertising services to effectively operate and manage those functions for the Business.

C. The parties have agreed to enter into this Agreement on the terms and conditions set forth below.

AGREEMENTS:

In consideration of the mutual covenants and agreements set forth in this Agreement, the parties agree as follows:

1. DEFINITIONS

1.1 In this Agreement:

ADVERTISEMENT means all forms of promotion and advertisement which may be included or displayed in a Website or portal, including without limitation, banners, pop-ups, emails, and hyperlinks which, when clicked by a mouse, move Internet users from one Website to another Website;

1. DEFINITIONS (CONTINUED)

ADVERTISING INVENTORY means all Advertisements and email lists which are now or hereafter available for inclusion or display in the Company's Website;

CONFIDENTIAL INFORMATION has the meaning set out in section 9.1;

EFFECTIVE DATE means the date of this Agreement;

INTERNET means the world-wide network of computers commonly understood as the Internet; and

WEBSITE means a series of interconnected web pages intended to be accessible by Internet users with web browsers, including without limitation all software, content, artwork, trademarks, trade names, logos, text, pictures, sound, graphics, video, data, and other materials used or necessary for the creation and maintenance of the Website.

2. WEBSITE HOSTING

2.1 Subject to the terms of the agreement attached as Schedule A, the Operator will provide the necessary services, software and computer equipment to host the Company's Website on the Operator's web server for access by Internet users (the WEBSITE HOSTING SERVICES).

3. REPRESENTATIONS & WARRANTIES

5.1 The Company represents and warrants that:

- (a) it has the right to enter into this Agreement and allow the Operator to perform the website hosting, site management, marketing and internet advertising services;
- (b) the Website is owned or licensed by the Company and the Company has the authority to provide it to the Operator to allow the Operator to perform the website hosting, site management, marketing and internet advertising services;
- (c) it has the right to grant the licenses in this Agreement;
- (d) it has unencumbered rights in the Domain Name;
- (e) the Domain Name has been registered without committing fraud or misrepresentation;
- (f) it has not used the Domain Name for any illegal purpose;
- (g) to the best of the Company's knowledge, the use of the Domain Name does not infringe the trademark rights of any third party; and
- (h) it has not received any claim from a third party that the use of the Domain Name violates the trademark rights of any third party.

4. COMPANY RESPONSIBILITIES & INDEMNITY

4.1 The Company represents, warrants, and covenants that it is and will at all times be in compliance with all applicable local, provincial, federal, and international laws, including but not limited to those laws regarding:

- (a) court-ordered publication bans;
- (b) restrictions on publishing, printing, distributing, possessing, selling, advocating, promoting, or exposing obscene or threatening material, child pornography, or hate propaganda, and the Company understands that these situations could generate criminal liability;

4. COMPANY RESPONSIBILITIES & INDEMNITY (CONTINUED)

(c) restrictions on the use of trademarks or trade names, or any work that is protected by copyright, trade secret, patent, or other intellectual property laws, including, without limitation, software;

(d) restrictions on defamation, libel, harm to reputation, invasion of privacy, misuse, or failure to protect personal information, violation of secrecy, confidentiality, unfair competition, and other situations that could generate liability; and

(e) export and import restrictions.

4.2 The Company and Operator will be jointly responsible for the design of Company's Website and the implications of hosting of Company's Website and any and all items, statements, or other content transmitted, posted, received, or created through the Company's Website, even if transmitted, posted, received, or created by someone else, and the Company will defend, indemnify, and hold the Operator, its affiliates and their respective directors, officers, employees, agents, and contractors harmless from any loss, damage, or liability which may result therefrom or for breach of Articles 3 or 4.

4.3 The Company will comply with all of the Operator's reasonable and lawful Internet policies.

4.4 The Company will indemnify, defend, and hold the Operator, its affiliates and their respective officers, directors, contractors, and agents harmless from any and all third-party claims, demands, or actions and resulting costs (including without limitation, punitive damages, court costs, arbitration fees, penalties, fines, amounts paid in settlement of claims, and reasonable legal fees, disbursements, and expenses of investigation) that the Website infringes a patent, copyright, trade secret, or other intellectual property right. This section 4.4 will survive the termination of this Agreement.

5. OWNERSHIP & LICENSE

5.1 The parties acknowledge that at all times the Company is the owner of the Website.

5.2 The Company licenses to the Operator a nonexclusive, royalty-free, world-wide right to store, copy, reproduce, and display the Company's Website, as is necessary for the Operator to perform the website hosting, site management, marketing and internet advertising services.

6. CONFIDENTIALITY

6.1 The terms of this Agreement, the copy of the Website, and any other source code, computer program listings, techniques, algorithms, and processes and technical and marketing plans or other sensitive business information, including all materials containing said information, which are supplied by the Company to the Operator is the confidential information (the CONFIDENTIAL INFORMATION) of the Company.

6.2 The Operator agrees that, except as authorized in writing by the Company, the Operator will:

(a) preserve and protect the confidentiality of all Confidential Information;

(b) not disclose to any third party the existence, source, content, or substance of the Confidential Information or make copies of the Confidential Information;

(c) not deliver any Confidential Information to any third party, or permit the Confidential Information to be removed from the Operator's premises;

(d) not use any Confidential Information in any way other than to provide the website hosting, site management, marketing and internet advertising services as contemplated in this Agreement;

(e) not disclose, use, or copy any third party information or materials received in confidence by the Operator for purposes of work performed under this Agreement; and

6. CONFIDENTIALITY (CONTINUED)

(f) require that each of its employees who work on or have access to the materials that are the subject of this Agreement sign a suitable confidentiality and work-for-hire/ assignment agreement and be advised of the confidentiality and other applicable provisions of this Agreement.

6.3 Information is not considered to be Confidential Information if the Operator can demonstrate that it:

- (a) is already or other becomes publicly known through no act of the Operator;
- (b) is lawfully received from third parties subject to no restriction of confidentiality;
- (c) can be shown by the Operator to have been independently developed by it without the use of Confidential Information;
- (d) is required or authorized by applicable law, regulation, or by administrative, quasi-judicial, or judicial order or decree to be disclosed; or
- (e) is authorized in writing by the Company to be disclosed, copied, or used.

6.4 The Operator acknowledges that any breach of the confidentiality provisions of this Agreement by the Operator will result in irreparable harm to the Company. The Operator therefore agrees that the Company will have the right to an injunction or other equitable relief to enforce this Agreement and any of its provisions, without prejudice to any other rights and remedies that the Company may have.

7. INDEMNITY, LIMITATIONS ON LIABILITY & DISCLAIMERS

7.1 The Operator will indemnify, defend, and hold the Company, its affiliates, and their respective officers, directors, contractors, and agents harmless from any and all third-party claims, demands, or actions and resulting costs (including without limitation, punitive damages, court costs, arbitration fees, penalties, fines, amounts paid in settlement of claims, and reasonable legal fees, disbursements, and expenses of investigation) arising out of or on account of claims for:

- (a) any negligent act, omission, or willful misconduct of the Operator in the performance of this Agreement;
- (b) any misrepresentation by the Operator or any breach of a provision of this Agreement by the Operator; and
- (c) the Operator's failure to comply with local, provincial, state, federal, or international law.

7.2 Except as expressly provided in this agreement, the website hosting, site management, marketing and internet advertising services are not guaranteed and are provided as is and the Operator gives no representations, warranties, or conditions of any kind, express or implied, including without limitation, representations, warranties or conditions as to uninterrupted or error free service, accessibility, privacy of files or e-mail, security, merchantability, quality, or fitness for a particular purpose and those arising by statute or otherwise, or from a course of dealing or usage of trade.

7.3 Subject to Article 6, and sections 7.1 and 8.3, the Operator, its directors, officers, employees, agents, contractors, or affiliates, will not be liable for any claim for:

- (a) punitive, exemplary, or aggravated damages;
- (b) damages for loss of profits or revenue, failure to realize expected savings, loss of use or lack of availability of Company materials or facilities, including without limitation, its computer resources, Website and any stored data;
- (c) indirect, consequential, or special damages;

7. INDEMNITY, LIMITATIONS ON LIABILITY & DISCLAIMERS (CONTINUED)

- (d) contribution, indemnity, or set-off in respect of any claims against the Company;
- (e) any damages whatsoever relating to third-party products, Company materials, or any goods or services not developed or provided by the Operator; or
- (f) any damages whatsoever relating to interruption, delays, errors, or omissions.

Without limiting the foregoing, the Operator's, its directors', officers', employees', agents', contractors', and affiliates' maximum total liability for any claim whatsoever, including without limitation, claims for breach of contract, tort (including without limitation, negligence) or otherwise, and the Company's sole remedy, will be an award for direct, provable damages not to exceed the amount of fees paid to the Operator under this agreement during the current term. No action, regardless of form, arising out of this agreement may be brought by the Company more than 12 months after the facts giving rise to the cause of action have occurred, regardless of whether those facts by that time are known to, or reasonably ought to have been discovered by, the Company.

7.3 This Article 7 will survive the termination or expiry of this Agreement.

8. SITE MANAGEMENT, MARKETING AND INTERNET ADVERTISING SERVICES

8.1 The Company authorizes the Operator to use the Company's Advertising Inventory and to post or add Advertisements to the Company's Website for the purpose of managing, administering, and overseeing the advertising included or contained in the Company's Website (the INTERNET ADVERTISING SERVICES). Notwithstanding the generality of the foregoing, the Company will retain the unrestricted right to require the Operator to remove or alter any Advertisements from the Company's Website which the Company (in its sole discretion) objects to. The Company agrees that the Operator will negotiate the amount of, and retain, all fees payable by third parties for the inclusion of their Advertisements within the Company's Website, subject to the aforesaid right of the Company to exclude or alter Advertising as aforesaid. The Operator will not bind the Company and will not purport to grant third parties any exclusive advertising or other rights on the Company's Website or to bind the Company to carry any specific Advertisement on the Company's Website.

8.2 As part of the Internet Advertising Services, but without limiting the generality of that term, the Operator will use commercial best efforts to:

- (a) preserve and add to the Advertising Inventory;
- (b) correct promptly all technical errors, problems, or difficulties that may hamper, delay, or defeat the proper display and functioning of the Advertising Inventory; and
- (c) ensure that all Advertisements on the Company's Website comply with applicable legal and regulatory requirements and do not expose the Company to any legal or regulatory action, claim, proceeding, or investigation.

8.3 Despite section 7.3, the Operator will indemnify, defend, and hold the Company, its affiliates, and their respective officers, directors, contractors, and agents harmless from any and all third-party claims, demands, or actions and resulting costs (including without limitation, punitive damages, court costs, arbitration fees, penalties, fines, amounts paid in settlement of claims, and reasonable legal fees, disbursements, and expenses of investigation) arising out of or on account of claims in any way related to any Advertisement that the Operator places on the Company's Website. This section will survive the termination of this Agreement.

8.4 The Operator acknowledges that the Company makes no representations or warranties with respect to the Advertising Inventory.

8.5 In consideration of the Company's authorization to use the Advertising Inventory and the Operator's right to retain all advertising fees paid by third parties for advertising on the Company's Website during the term that sections 8.1 and 8.2 remain in effect (the INTERNET ADVERTISING FEE), the Operator will pay a non-refundable fee for each calendar month equal to 50% of the Internet Advertising Fee collected in the preceding month, such amount to be not less than US\$112,000 (One hundred and twelve United States Dollars) per month.

9. TERM & TERMINATION

9.1 The term of this Agreement is one year (the TERM) from Effective Date. This Agreement will automatically renew at the end of the current Term, upon the same terms and conditions. However, this Agreement will not renew if either party has delivered by facsimile, courier, or regular mail, to the other, a written notice of intent not to renew this Agreement and such notice of intent must be received by the Operator not less than 60 days in advance of the end of the current Term.

9.2 Without limiting any other rights or remedies available under this Agreement, at law or in equity, either party has the right to terminate this Agreement without notice to the other party if:

- (a) the other party is in breach of any of its representations, warranties, or obligations under this Agreement, and such breach is not cured within 14 calendar days;
- (b) it has not received any payment when due under this Agreement; or
- (c) bankruptcy or insolvency proceedings are taken by or against the other party or if a receiver, trustee, or other similar person is appointed over the other party's assets.

9.3 Not later than 7 calendar days after the termination of this Agreement for any reason, the Operator will cease to use and will return to the Company all originals and copies of the Website, the Confidential Information, the Advertising Inventory, and any other materials provided to the Operator under this Agreement.

10. DISPUTE RESOLUTION & GOVERNING LAW

10.1 The parties agree to submit any dispute arising out of or in connection with this Agreement to binding arbitration in Vancouver, British Columbia before a single arbitrator, appointed by agreement of the parties (or, if they are unable to reach agreement within 21 calendar days, appointed by a justice of the British Columbia Supreme Court) pursuant to the provisions of this section 13.1, and to the extent not inconsistent with this Agreement, the Commercial Arbitration Act (British Columbia), the International Commercial Arbitration Act (British Columbia), and the Rules of the British Columbia International Commercial Arbitration Centre. The parties agree that such arbitration will be in lieu of either party's rights to assert any claim, demand, or suit in any court action, provided that either party may elect either binding arbitration or a court action with respect to a breach by the other party of such party's proprietary rights, including without limitation any trade secrets, copyrights, or trademarks. Any arbitration will be final and binding and the arbitrator's order will be enforceable in any court of competent jurisdiction.

10.2 The validity, construction, and performance of this Agreement will be governed by the laws of British Columbia, and the applicable laws of Canada, and all claims and/ or lawsuits in connection with this Agreement must be brought in the courts of British Columbia.

11. GENERAL PROVISIONS

11.1 NOTICES. For the purposes of all notices and other communications required or permitted to be given under this Agreement, the addresses of the parties will be as indicated on page one, above. All notices will be in writing and will be sent via messenger, overnight delivery services, telecopier, or mail, and will be deemed complete upon receipt.

11.2 ENTIRE AGREEMENT. This Agreement, including the attached Schedules, if any, which are incorporated by reference as though fully set out, contains the entire understanding and agreement between the parties with respect to its subject matter, supersedes all prior oral or written understandings and agreements relating thereto except as expressly otherwise provided, and may not be altered, modified, or waived in whole or in part, except in writing, signed by the duly authorized representatives of the parties.

11.3 FORCE MAJEURE. Neither party will be held responsible for damages caused by any delay or default due to any contingency beyond its control preventing or interfering with performance under this Agreement.

11. GENERAL PROVISIONS (CONTINUED)

- 11.4 SEVERABILITY. If any provision of this Agreement is held by a court of competent jurisdiction to be contrary to any law, the remaining provisions will remain in full force and effect as if said provision never existed.
- 11.5 CONTRACT ASSIGNMENT. This Agreement is personal to the Operator. The Operator may not sell, transfer, sublicense, hypothecate, or assign its rights and duties under this Agreement without the written consent of the Company. No rights of the Operator under this Agreement will devolve by operation of law or otherwise upon any receiver, liquidator, trustee, or other party. This Agreement enures to the benefit of the Company, its successors, and assigns.
- 11.6 WAIVER AND AMENDMENT. No waiver, amendment, or modification of any provision of this Agreement will be effective unless consented to by both parties in writing. No failure or delay by either party in exercising any rights, power, or remedy under this Agreement will operate as a waiver of any such right, power, or remedy.
- 11.7 AGENCY. The parties are separate and independent legal entities. The Operator is performing services for the Company as an independent contractor. Nothing contained in this Agreement will be deemed to constitute either the Operator or the Company as an agent, representative, partner, joint venturer, or employee of the other party for any purpose. Neither party has the authority to bind the other or to incur any liability on behalf of the other, nor to direct the employees of the other.
- 11.8 CONTRACT INTERPRETATION. Ambiguities, inconsistencies, or conflicts in this Agreement will not be strictly construed against the drafter of the language but will be resolved by applying the most reasonable interpretation under the circumstances, giving full consideration to the parties' intentions at the time this Agreement is entered into.
- 11.9 NO THIRD PARTY RIGHTS. This Agreement is not for the benefit of any third party, and will not be considered to grant any remedy to any third party whether or not referred to in this Agreement.
- 11.10 GENDER AND NUMBER. Words expressed in one gender are deemed to include all genders and the singular includes the plural and vice versa.
- 11.11 HEADINGS. Headings have been inserted into this Agreement for convenience of reference only and they do not affect the interpretation of this Agreement.
- 11.12 TIME. Time is of the essence in this Agreement.
- 11.13 CURRENCY. All monetary values set out in this Agreement or in any Schedule to this Agreement are deemed to be in Canadian dollars, unless otherwise expressly stated.
- 11.14 RELATIONSHIP OF THE PARTIES. The Operator:
- (a) is an independent contractor, not an employee of the Company. No employment relationship is created by this Agreement;
 - (b) as used in this Agreement, means the person or entity that signs this Agreement and all its employees and agents;
 - (c) will retain independent professional status throughout this Agreement and will use his or her own discretion in performing the tasks assigned;
 - (d) is not an employee of the Company and is ineligible for any benefits that the Company offers to its employees; and
 - (e) will report as income to the appropriate government agencies all compensation received pursuant to this Agreement and will pay all applicable taxes. The Company will not make deductions from its fees for taxes, insurance, bonds, or other subscription of any kind.

11. GENERAL PROVISIONS (CONTINUED)

11.15 COUNTERPARTS. This Agreement may be executed and delivered in counterparts and by telecopier with the same effect as if the parties had concurrently executed and delivered the same original copy of this Agreement.

AS EVIDENCE OF THEIR AGREEMENT the parties have executed this Agreement on the date written on page one, above.

Accepted and Agreed by the Company:

Accepted and Agreed by the Operator:

BINGO.COM, INC.

NEXT LEVEL INC.

by:

by:

/s/ Tryon Williams

/s/ Patrick Smyth

AUTHORIZED SIGNATORY

AUTHORIZED SIGNATORY

I HAVE AUTHORITY TO BIND THE
CORPORATION

I HAVE AUTHORITY TO BIND THE
CORPORATION

Exhibit 10.7

**SOFTWARE LICENSE, TECHNICAL SUPPORT, AND OPERATION OF
CUSTOMER SERVICE & DATA CENTRE AGREEMENT**

THIS AGREEMENT is made as of the 1st day of September, 2001.

BETWEEN:

CYOP SYSTEMS INC., a limited liability company incorporated under the laws of Barbados and having its principal offices at Suite 29-1st Floor, Beckwith Mall, Lower Broad Street, Bridgetown, Barbados

(LICENSOR)

AND:

BINGO.COM (CANADA) ENTERPRISES INC., a limited liability company incorporated under the laws of Canada and having its principal offices at 3rd Floor--1286 Homer Street, Vancouver, British Columbia, Canada

(LICENSEE)

BACKGROUND:

A. Licensor has developed a software program known as CrediPlay (the SOFTWARE), which is an online financial network offering Pay-for-Play tournaments, and Pay-per-Use integrated games, products, and services for licensed users, and which includes an integrated credit card and financial payment processing application that permits licensed users to access and utilize the services of credit card organizations and collect, record, and distribute financial payments in the course of the licensed users' business activities.

B. Licensee operates and maintains an Internet portal or Website that hosts, operates, and organizes skill-based bingo and bingo-like games, tournaments and competitions and an online reference for information and activities relating to bingo and bingo-like games (LICENSEE'S BUSINESS).

BACKGROUND: (CONTINUED)

C. Licensor has the necessary personnel, resources, experience, skills, and background in the operation of a customer service and data centre to effectively operate and manage those functions for Licensee's Business.

D. Licensee has requested Licensor to grant a license for the Software and to provide services for the operation of Licensee's customer service and data centre.

E. The parties have agreed to enter into this Agreement on the terms and conditions set forth in this Agreement.

AGREEMENTS:

In consideration of the mutual covenants and agreements set forth in this Agreement, the parties agree as follows:

PART I-DEFINITIONS & INTERPRETATION

1. DEFINITIONS

1.1 DEFINITIONS. In this Agreement:

ASP means an application service provider selected by Licensor from time to time to host and operate the Software on the ASP's computer server for access by Licensee, Sublicensees and Customers;

APPROVED FINANCIAL INSTITUTION means a bank, credit union, trust company, investment or brokerage firm, or other financial institution which appears on the list attached as Schedule A to this Agreement, which Schedule A may be modified by Licensee from time to time;

BINGO TOURNAMENT means a bingo or bingo-like tournament, game or competition accessed from Licensee's or Sublicensee's Website, regardless of the name or format of such tournament, game or competition;

CONVERSION RATIO means, at any time, the ratio then in effect as determined or established by the Rules and Regulations for converting Customer Payments into Customer Credits and converting Network Maintenance Fees into dollar amounts, and vice versa, and which will initially be \$0.01 for 1 Customer Credit, subject to change under the Rules and Regulations;

CUSTOMER means any person who gains access to Licensee's or Sublicensee's Website via the Internet for the purpose of participating in a Bingo Tournament, and who pays the applicable Network Maintenance Fees and/or the applicable Tournament Entrance Fees, and **LICENSEE'S CUSTOMER** means a Customers who accesses a Bingo Tournament from Licensee's Website, and **SUBLICENSEE'S CUSTOMER** means a Customer who accesses a Bingo Tournament from a Sublicensee's Website;

CUSTOMER CREDITS means an electronic unit of participation, which is recorded and used by the Software to allow Customers access to and participation in a Bingo Tournament;

CUSTOMER PAYMENTS means all funds collected from Customers, whether by credit card, debit card, cheque, cash, or any other means;

CUSTOMER INFORMATION means all data relating to Customers collected and stored by the Software or by Licensee's or Sublicensee's Website including, without limiting the generality of the foregoing, name, address, telephone number, telecopier number, e-mail address, credit card numbers and expiration dates, information on other types of payments or fees, activities on the Internet, activities on the Website, and the amount of Customer Payments and Customer Credits;

1. DEFINITIONS (CONTINUED)

DOCUMENTATION means any and all documentation accompanying or describing the Software, specifically including any localized version of the Documentation created by Licensor or Licensee and all supplements and new versions of the foregoing items;

DOWNLOADABLE SOFTWARE means the portion of the Software, if any, that must be present on a Customer's computer in order for that Customer's computer to have access to a Bingo Tournament and which may be downloaded or obtained by the Customer via the Internet as a java applet;

EFFECTIVE DATE means the date of this Agreement;

ESCROW AGENT means an independent third party selected, from time to time, by Licensee to hold the Software, including without limitation all source code materials, pursuant to the Escrow Agreement (if and when required by Licensee);

ESCROW AGREEMENT means the agreement to be entered into between Licensor, Licensee, and Escrow Agent pursuant to Section 4.3, as amended from time to time;

INITIAL SET UP FEE means the sum of \$50,000 payable to Licensor for services rendered to initialize and make the Software accessible for use by Licensee and its Customers;

INTERNET means the worldwide collection of computer networks and gateways that use the TCP/IP suite of protocols to communicate with one another;

LICENSE TERM has the meaning set out in Section 3.3;

LICENSE FEES means, in respect of any period of time, an amount equal to 25% of the Network Maintenance Fees collected by or on behalf of Licensee for that period of time for Bingo Tournaments accessed from Licensee's Website, subject to adjustment under Section 8.4;

LICENSOR'S CASH ACCOUNT means an account opened and maintained by Licensor for the benefit of Licensee and/or a Sublicensee with an Approved Financial Institution for the deposit and withdrawal of cash payments for and on behalf of Licensee and/or Sublicensee, as the case may be;

LICENSEE'S CONFIDENTIAL INFORMATION has the meaning set out in Section 10.4;

LICENSOR'S CONFIDENTIAL INFORMATION has the meaning set out in Section 10.1;

MASTER CD means a compact disc containing the Downloadable Software, which may be used to mass produce compact discs for delivery of Downloadable Software to Customers when and if Licensee elects to use such delivery mechanism;

NETWORK MAINTENANCE FEES means the fees expressed in Customer Credits and determined or established by the Rules and Regulations from time to time, which the Customer must pay to Licensee or Sublicensee to register with, and to gain access to Bingo Tournaments, but the Network Maintenance Fees do not include the Tournament Entrance Fees;

RESIDUAL NETWORK MAINTENANCE FEES means, in respect of any period of time, the balance of converted Network Maintenance Fees paid by Customers during that period of time after deduction and payment of the Initial Setup Fee and applicable License Fees, Sublicense Fees, Service Fees, Sublicensee Service Fees and Sublicensee Initialization Fees;

1. DEFINITIONS (CONTINUED)

RULES AND REGULATIONS means the instructions and guidelines developed or modified from time to time by Licensee to govern all aspects of a Bingo Tournament, including, without limitation, the rules of play that Customers must adhere to, the distribution of the Customer Payments, the method and ratio for conversion of Customer Payments into Customer Credits and vice versa, the eligibility and entrance requirements and criteria for Bingo Tournaments, the amount of Network Maintenance Fees, and the allocation and distribution of the Tournament Entrance Fees, with the initial Rules and Regulations attached hereto as Schedule B;

SERVICE FEES means, in respect of any period of time, an amount equal to 5% of the Network Maintenance Fees collected by or on behalf of Licensee for that period of time, for Bingo Tournaments accessed from Licensee's Website, subject to adjustment under Section 8.6;

SERVICES TERM has the meaning set out in Section 5.4;

SOFTWARE--further to the description set forth in the recitals --means the source code form (in all data formats) of the current and any future version of Licensor's software programs known as CrediPlay and specifically includes the most current release of any localized version of the Software by Licensor and any Updates to any such program from time to time;

SUBLICENSEE means any party to whom Licensee grants a sublicense to use the Software in the Territory for the support or operation of Bingo Tournaments accessed from the Sublicensee's Website;

SUBLICENSE FEES means, in respect of any period of time, an amount equal to 26% of the Network Maintenance Fees collected by or on behalf of a Sublicensee for that period of time for Bingo Tournaments accessed from the Sublicensee's Website;

SUBLICENSEE INITIALIZATION FEES means, in respect of any Sublicensee appointed by Licensee, a fee to be mutually determined by Licensor and Licensee and paid to Licensor for services rendered to initialize and make the Software accessible for use by that Sublicensee and its Customers;

SUBLICENSEE'S PORTION OF RESIDUAL NETWORK MAINTENANCE FEES means, in respect of any period of time for a Sublicensee appointed by Licensee, the portion determined by Licensee and advised to Licensor of the converted residual Network Maintenance Fees paid by Customers who access Bingo Tournaments from the Sublicensee's Website during that period of time after deduction and payment of applicable Sublicense Fees, Sublicensee Service Fees and Sublicensee Initialization Fees;

SUBLICENSEE SERVICE FEES means, in respect of any period of time, an amount equal to 10% of the Network Maintenance Fees collected by or on behalf of a Sublicensee for that period of time for Bingo Tournaments accessed from the Sublicensee's Website;

SPECIFICATIONS means all specifications and requirements for the Software set forth in Licensor's standard documentation as modified or supplemented in writing and signed or approved by Licensor;

SUPERVISOR means Licensee's Chief Financial Officer;

TERRITORY has the meaning set out in Section 3.2;

TRADEMARKS means all Licensor-owned trademarks related to the Software;

TOURNAMENT ENTRANCE FEES means the amount of Customer Credits that the Customer elects to pay towards the winner's prize for Bingo Tournaments, which amount will be retained in a holding account until the completion of the applicable Bingo Tournament, and the sum of all Tournament Entrance Fees paid for a specific Bingo Tournament will be the prize that Customers compete to win in accordance with the Rules and Regulations;

UPDATES means any bug fixes, patches, error corrections, enhancements, improvements, supplements, upgrades, and new versions of the Software which Licensor makes available at any time to any of its customers or business associates with or without charge;

WARRANTY PERIOD means the period during which the grant of license and rights made by Licensor to Licensee under this Agreement remains in effect;

WEB PAGE means a document or file that is formatted using HTML and that is intended to be accessible to Customers with a web browser;

WEBSITE means a series of interconnected Web Pages; and

WITHHOLDING means any deduction or withholding made by an Approved Financial Institution from the remittance of converted Network Maintenance Fees by Licensor to Licensee or any Sublicensee.

2. INTERPRETATION

2.1 GENDER AND NUMBER. Words expressed in one gender include all genders, and the singular includes the plural and vice versa.

2.2 HEADINGS. Headings have been inserted into this Agreement for convenience of reference only and they do not affect the interpretation of this Agreement.

2.3 RECITALS AND SCHEDULES. The recitals and schedules to this Agreement are incorporated by reference and form part of this Agreement.

2.4 CURRENCY. All references to dollar amounts are references to lawful currency of the United States of America, unless expressly stated to be otherwise.

2.5 AMBIGUITIES. Ambiguities, inconsistencies, or conflicts in this Agreement will not be strictly construed against the drafter of the language but will be resolved by applying the most reasonable interpretation under the circumstances, giving full consideration to the parties' intentions at the time this Agreement is entered into.

PART II--SOFTWARE LICENSE & TECHNICAL SUPPORT

3. OWNERSHIP, TERRITORY, AND LICENSE TERM

3.1 OWNERSHIP. As between the parties, Licensor owns and will retain all right, title, and interest in and to the Software and the Documentation, except for the limited license rights specifically granted in this Agreement. In addition, Licensee agrees that any derivative software technology or products developed by or on behalf of Licensee (with or without the consent of Licensor) using or based upon the Software or the Documentation will be the sole property of Licensor, and Licensee will, upon request by Licensor, execute an assignment and transfer of rights in such derivative software technology, products, or documentation in favour of Licensor.

3.2 TERRITORY. The license and rights granted to Licensee will apply worldwide (the TERRITORY).

3.3 LICENSE TERM. The license and rights granted to Licensee will have effect from the Effective Date and continue until otherwise terminated pursuant to this Agreement (the LICENSE TERM).

4. GRANT

4.1 PERPETUAL WORLDWIDE LICENSE. Licensor grants to Licensee an irrevocable, worldwide, perpetual license to use the Software in and throughout the Territory for the support and operation of Licensee's Business. The above license includes the right to concurrently access and utilize the Software on all computer systems, servers and Websites which host or support Licensee's Business from time to time, to distribute and sublicense the Downloadable Software to Customers as necessary, and to create and maintain copies of the Software for back-up and security purposes. The above license includes the right to grant sublicenses to Sublicensees to use the Software in the Territory for the support and operation of Bingo Tournaments accessed from the Sublicensees' Websites, provided that the terms of the sublicenses shall be on such same terms and conditions as Licensee may from time to time require. The above license does not include the right to modify, improve, or create derivative software, technology, or products from the Software, or to use the Software for any activities that are not in the ordinary course of Licensee's Business. Licensor covenants and agrees that

Licensee will, for the duration of this Agreement, have the exclusive right to use the Software in the Territory for the support and operation of an Internet portal or Website to access Bingo Tournaments as conducted by Licensee or its Sublicensees from time to time.

4.2 SOFTWARE HOSTING SERVICES. Licensor will engage the services and computer facilities of an experienced and competent ASP to host the Software on the ASP's computer server for access by Licensee, Sublicensees and Customers. Licensor warrants and covenants that the hosting services and facilities of the ASP will enable Licensee, Sublicensees and Customers to access Bingo Tournaments and utilize the Software at all times, on a 24 hours per day, 7 days per week, 365 days per year basis. Licensor will continue to remain responsible for the due performance of its obligations under this Agreement notwithstanding the engagement of the ASP.

4.3 DELIVERY BY LICENSOR TO ESCROW AGENT. When and if required by Licensee, Licensor will enter into an Escrow Agreement on terms and conditions reasonably required by Licensee. Upon execution of the Escrow Agreement, Licensor will immediately deliver to the Escrow Agent, at no additional cost to Licensee, one complete copy of the Software to be held pursuant to the Escrow Agreement, which delivery will include all source code materials for the Software, and from time to time thereafter, Licensor will deliver to the Escrow Agent, at no additional cost to Licensee, the following materials to be held pursuant to the Escrow Agreement:

- (a) current versions of the Software, Specifications, and Documentation, in such format and on such media as Licensee may require to install and operate the Software on Licensee's computer systems and servers, and to grant and support Sublicenses of the Software in accordance with this Agreement, when and if the same are released pursuant to the Escrow Agreement; and
- (b) a Master CD containing the Downloadable Software (including Upgrades thereto).

4.4 INTERNET ACCESS BY CUSTOMERS. Licensor will permit and facilitate Customers to:

- (a) have access to Bingo Tournaments and the Software through the Websites of Licensee and Sublicensees; and
- (b) download and install the Downloadable Software on Customers' computers.

4.5 FINANCIAL TRANSACTIONS AND BINGO TOURNAMENT PARTICIPATION. As part of the Software, Licensor will provide Licensee and Sublicensees a financial transaction processing and Bingo Tournament participation system to allow:

- (a) Customers to deposit, through the use of credit cards, debit cards, cheques, cash, or any other method of payment, the Customer Payments, to convert the same into Customer Credits at the Conversion Ratio, and vice versa, to receive payment of the converted amount of Customer Credits and to obtain detailed reports on the status of transactions involving Customer Payments and Customer Credits;
- (b) Customers to gain access to and participate in Bingo Tournaments in accordance with the Rules and Regulations; and
- (c) Licensee and Sublicensees to collect, directly or through a Software administrator, Network Maintenance Fees, to monitor and administer the collection and distribution of Tournament Entrance Fees, to pay the Initial Setup Fee and applicable License Fees, Service Fees, Sublicense Fees, Sublicensee Service Fees and Sublicensee Initialization Fees, and to obtain detailed transaction reports on Customer Payments, Customer Credits, Network Maintenance Fees, Initial Setup Fee, License Fees, Service Fees, Sublicense Fees, Sublicensee Service Fees and Sublicensee Initialization Fees.

4.6 SUPPORT OBLIGATIONS OF LICENSOR. Licensor will, during the License Term, provide the following support at no additional cost to Licensee or Sublicensees:

- (a) Licensor will use commercial best efforts to create, acquire or develop new Upgrades or Documentation that will implement, facilitate and support the effective, timely and accurate performance of all services which Licensor has agreed to provide herein, and to implement, accommodate and support the Rules and Regulations, and to make all new Upgrades and Documentation immediately available to Licensee;
- (b) maintain and upgrade its staff and facilities to enable it to carry out its obligations under this Agreement and the Rules and Regulations in the most effective, timely, and accurate manner that is technologically possible;
- (c) technical assistance to promptly respond to and resolve difficulties encountered by Licensee or Sublicensees with the Software, such assistance to be available by e-mail, telecopier, and telephone facilities 24 hours per day, 7 days per week, 365 days per year; and
- (d) software programming services to promptly correct errors and overcome problems with the Software, to enhance the effectiveness of the Software and to enable the Software to effectively operate on or be accessed from Licensee's and Sublicensee's computer systems and Websites.

PART III--OPERATION OF CUSTOMER SERVICE & DATA CENTRE

5. ENGAGEMENT OF LICENSOR

5.1 **ENGAGEMENT AND RESPONSIBILITIES.** Licensee hereby engages Licensor to operate the customer service centre and data centre for Licensee's Business on the terms and conditions set out in this Agreement. Licensor will be responsible to provide and manage all staff, equipment, and facilities necessary for the operation of:

- (a) the customer service centre to receive and promptly and effectively reply to and process requests for information and service from present, potential, and future Customers; and
- (b) the data centre to promptly and accurately process and issue financial, management, and Customer reports for Licensee's Business (in a form and by such deadlines as the Supervisor may reasonably require from time to time) and to issue and process payments of funds to Customers based on converted Customer Credits in accordance with the Rules and Regulations.

Licensor hereby accepts the above engagement and agrees to carry out the above duties and responsibilities in accordance with this Agreement and the reasonable targets and requirements and directions of Licensee from time to time. Licensor agrees its duties and responsibilities may be reasonably modified, reduced, or increased at Licensee's request from time to time to meet the requirements of Licensee's Business.

5.2 **COVENANTS.** Licensor will report to the Supervisor. Licensor will comply with all lawful instructions and directions given by Licensee. Licensor will not represent itself as being a partner of Licensee nor as having any proprietary interest in the Licensee's Business or the intellectual property developed by Licensee. Licensor will not commit or purport to commit Licensee to any financial obligation or liability, without the prior approval of the Supervisor.

5.3 **INDEPENDENT CONTRACTOR.** Licensor is and will be deemed to be an independent contractor and will provide or procure its own office, equipment, and staff to complete its responsibilities and duties under this Part. Licensor will register and pay applicable employer premiums under Workers Compensation legislation and will pay all income taxes and statutory remittances on payments received from Licensee. Licensor may, at its sole cost and liability, contract with subsidiaries, affiliates, and third parties to provide portions of the services and facilities which Licensor is required to provide under this Part, provided that Licensor will continue to remain responsible for the due performance of its obligations under this Part.

5.4 **RENEWABLE SERVICES TERM.** Subject to the provisions for termination set forth in this Agreement, the term of Licensee's engagement under this Part (the SERVICES TERM) will be for an initial period of 3 years commencing on the Effective Date. Thereafter, the Services Term may be renewed by mutual written agreement of the parties for successive 3 year periods, until:

- (a) Licensor's engagement under this Part is terminated by either party in accordance with this Agreement; or,

5.4 RENEWABLE SERVICES TERM (CONTINUED)

- (b) either party gives written notice to the other party at least 90 days prior to the end of the initial Services Term or any renewal thereof, that the first party elects not to renew the engagement of Licensor for a further Services Term and following such notice, the engagement of Licensor under this Part will terminate on the last day of the current Services Term.

5.5 **SERVICES FOR SUBLICENSEES.** Licensor will provide the above-stated services for the operation of a customer service centre and data centre for any Sublicensees appointed by Licensee from time to time.

PART IV--COLLECTION & DISTRIBUTION OF CUSTOMER PAYMENTS AND LICENSOR'S CASH ACCOUNTS

6. CUSTOMER PAYMENTS

6.1 **LICENSOR'S CASH ACCOUNTS.** Licensee authorizes Licensor to establish, maintain or operate one or more Licensor's Cash Accounts for the deposit of Customer Payments and for the withdrawal of payments authorized by this Agreement. When requested by Licensee, Licensor will promptly transfer cash amounts between Licensor's Cash Accounts. Licensor acknowledges and agrees that

6.1 LICENSOR'S CASH ACCOUNTS. (CONTINUED)

Licensee will be the sole owner of all Customer Payments made by Licensee's Customers and that all funds deposited into Licensor's Cash Accounts as a result of such Customer Payments pursuant to this Agreement and the Rules and Regulations will be held in trust by Licensor for Licensee, subject to the express provisions of this Agreement which entitle Licensor to withdraw interest and fees from Licensor's Cash Accounts. At Licensee's request, Licensor will execute a form of general security agreement or other agreement prepared by Licensee's solicitors to confirm Licensee's beneficial ownership of all Customer Payments made by Licensee's Customers, subject to the above mentioned rights of withdrawal in favour of Licensor.

6.2 COLLECTION OF CUSTOMER PAYMENTS FOR LICENSEE. Licensee hereby appoints Licensor as its agent to use the Software to collect and record the Customer Payments made by Licensee's Customers in a timely and accurate manner. The Customer Payments will be made and retained in US currency. Licensor will deposit the Customer Payments in one or more of Licensor's Cash Accounts. Upon deposit into Licensor's Cash Accounts, all Customer Payments made by Licensee's Customers will be the property of Licensee and will be held in trust by Licensor, provided:

- (a) all interest earned on the Licensor's Accounts will be for the sole benefit of Licensor (and Licensee hereby waives and disclaims all rights and title to such interest in favour of Licensor) and such interest may be withdrawn from Licensor's Cash Accounts by Licensor at any time; and
- (b) all fees payable to Licensor pursuant to this Agreement may be withdrawn from Licensor's Cash Accounts by Licensor as and when such fees are due and payable (and Licensee hereby authorizes Licensor to make such withdrawals).

Following such deposit, no Customer will have any property rights in the Customer Payments or in Licensor's Cash Accounts. Customers' rights will then be limited to the Customer Credits as set out in Article 7 of this Agreement and the Rules and Regulations. Licensor agrees to remit the Residual Network Maintenance Fees to Licensee as set out in Article 8 of this Agreement.

6.3 COLLECTION OF CUSTOMER PAYMENTS FOR SUBLICENSEES. Licensor will act as agent for each Sublicensee appointed by Licensee from time to time, to use the Software to collect and record the Customer Payments made by the Sublicensee's Customers in a timely and accurate manner. The Customer Payments will be made and retained in US currency. Licensor will deposit the Customer Payments in one or more of Licensor's Cash Accounts. Upon deposit into Licensor's Cash Accounts, all Customer Payments made by the Sublicensee's Customers will be the property of that Sublicensee and will be held in trust by Licensor, provided:

- (a) all interest earned on the Licensor's Accounts will be for the sole benefit of Licensor (and Licensee will cause Sublicensee to waive and disclaim all rights and title to such interest in favour of Licensor) and such interest may be withdrawn from Licensor's Cash Accounts by Licensor at any time;
- (b) all fees payable in to Licensor for the Sublicensee to this Agreement may be withdrawn from Licensor's Cash Accounts by Licensor as and when such fees are due and payable (and Licensee will cause Sublicensee to authorize Licensor to make such withdrawals).

6.3 COLLECTION OF CUSTOMER PAYMENTS FOR SUBLICENSEES

At Licensee's request, Licensor will execute a form of general security agreement or other agreement prepared by Licensee's solicitors to confirm the Sublicensee's beneficial ownership of all Customer Payments made by that Sublicensee's Customers, subject to the above- mentioned rights of withdrawal in favour of Licensor.

6.4 BOOKS AND RECORDS. On the second business day of each month Licensor will issue a transaction statement to Licensee detailing the calculation, collection, and deposit of the Customer Payments and all applicable Licensor's Cash Accounts for the immediately preceding month. If Licensee has appointed Sublicensees, Licensor will issue separate statements for the Customer Payments relating to each Sublicensee's Website. Licensor will maintain books of account and records relating to the Customer Payments and all applicable Licensor's Cash Accounts and will take reasonable measures to ensure that these books and records are accurate. Upon reasonable notice of not less than 10 days, Licensee or a Sublicensee may, at its expense, inspect such books of account and records. If an inspection determines that Licensor has not collected or deposited the correct amount of the Customer Payments collected or deposited, then Licensor will immediately make the necessary adjusting payment. If Licensor has incorrectly collected and deposited Customer Payments by a figure of greater than 0.5% for the period covered by the inspection, then Licensor will bear the cost of that inspection.

6.5 FINANCIAL SERVICE CHARGES AND CHARGE-BACKS. Notwithstanding any other provision of this Agreement, Licensor will bear the cost of all fees and service charges, however described or named, payable to credit card companies, banks, credit unions, trust companies, investment or brokerage firms or financial institutions for the collection, deposit, investment, handling and remittance of Customer Payments and other payments referred to in this Agreement and the operation of Licensor's Cash Accounts. If any Customer Payment that is made by credit card or debit card is subsequently reversed by the processing financial institution (referred to as a charge-back), then such charge-back will be the responsibility of the Licensee or Sub licensee whose Customer Payment is the subject of the charge-back, and Licensor will be entitled to withdraw the amount of the charge-back from the funds held in trust for the responsible Licensee or Sublicensee in the Licensor's Cash Accounts.

7. CUSTOMER ACCOUNTS

7.1 ESTABLISHMENT OF CUSTOMER ACCOUNTS. Upon receipt of a Customer Payment, Licensor will use the Software to establish a separate account for that Customer. Licensor will use the Conversion Ratio to determine the amount of Customer Credits to be added to that Customer's account in respect of the Customer Payment. Licensor will immediately update and at all times maintain an accurate record of the amount of Customer Credits in a Customer's account, in accordance with the Rules and Regulations and this Agreement. The Software's user interface and the reports issued to Customers and Licensee may, for ease of reference, understanding and operation, show the Customers' accounts in US currency, however, this depiction does not grant the Customers' any rights in the Licensor's Cash Accounts.

7.2 INCREASING CUSTOMER CREDITS. Licensor will increase the amount of Customer Credits in a Customer's account if and to the extent that:

- (a) the Customer is entitled, under the Rules and Regulations, to receive all or part of the Tournament Entrance Fees for a specific Bingo Tournament;
- (b) the Customer makes additional Customer Payments;
- (c) the Customer is entitled, under the Rules and Regulations, to a refund of any Network Maintenance Fees or Tournament Entrance Fees previously paid by the Customer;
- (d) a third party transfers his or her Customer Credits to the Customer in accordance with the Rules and Regulations ;
- (e) an entry is required to correct one or more errors in the Customer's account; or
- (f) any other increase is authorized under the Rules and Regulations.

7.3 DECREASING CUSTOMER CREDITS. Licensor will decrease the amount of Customer Credits in a Customer's account if and to the extent that:

- (a) the Customer is required, under the Rules and Regulations, to pay Network Maintenance Fees for a specific Bingo Tournament;
- (b) the Customer, under the Rules and Regulations, elects to pay Tournament Entrance Fees for a specific Bingo Tournament;
- (c) the Customer demands conversion of the Customer Credits in his or her account and payment of the converted Customer Credits to the Customer's credit card or other account;
- (d) the Customer transfers his or her credits to a third party in accordance with the Rules and Regulations;
- (e) an entry is required to correct one or more errors in the Customer's account; or
- (f) any other deduction is authorized under the Rules and Regulations.

Using the Software, Licensor will initiate and record prior notice to the Customer of each proposed decrease in the amount of Customer Credits and enable the Customer to record his or her approval of such decrease by sending the appropriate command through the Software.

7.4 CONVERSION AND WITHDRAWAL OF CUSTOMER CREDITS. At any time, a Customer of Licensee or Sublicensee may authorize the conversion and withdrawal of the Customer Credits, or a portion of the Customer Credits, remaining in the Customer's account. Upon receipt of such authorization, Licensor will immediately use the Software to decrease the Customer's account by the requested amount of Customer Credits (up to the remaining Customer Credits available), and to convert the applicable credits into US currency according to the Conversion Ratio, and immediately withdraw and remit the converted amount of Customer Credits in US currency from funds held in trust in Licensor's Cash Accounts for Licensee or Sublicensee, as the case may be, to the Customer's credit card or other account in accordance with the Rules and Regulations, and any applicable national, federal, state, provincial, municipal, or other laws.

7.5 CUSTOMER ACCOUNT RECORDS. Upon a request by a Customer, Licensor will, using the Software, immediately provide that Customer with an accurate transaction record of that Customer's account, which will display the amount of Customer Credits in that Customer's account, the amount of Network Maintenance Fees and Tournament Entrance Fees paid by that Customer, the amount of Tournament Entrance Fees deposited to that Customer's account for winning a Bingo Tournament as defined in the Rules and Regulations, the total deposits made to that Customer's account, and the total withdrawals made from that Customer's account. Licensor will provide this report in a secure, confidential electronic form on Licensee's or Sublicensee's Website, in a format suitable for downloading by that Customer via the Internet.

8. NETWORK MAINTENANCE FEES, LICENSE FEES, SERVICE FEES, SUBLICENSE FEES, SUBLICENSEE SERVICE FEES, INITIAL SETUP FEE AND SUBLICENSEE INITIALIZATION FEES

8.1 NETWORK MAINTENANCE FEES. Licensee will be the sole owner of all Network Maintenance Fees paid by Licensee's Customers and each Sublicensee will be the sole owner of all Network Maintenance Fees paid by that Sublicensee's Customers, regardless of the place, account, or manner in which the Network Maintenance Fees are collected, stored, recorded, deposited, or held.

8.2 COLLECTION OF NETWORK MAINTENANCE FEES. Using the Software, Licensor will deduct and collect the Network Maintenance Fees from the Customers' accounts on behalf of Licensee and Sublicensees. The Network Maintenance Fees will be initially expressed in Customer Credits and will be recorded in separate accounts for Licensee and each Sublicensee. At the end of each month, Licensor will use the Conversion Ratio to convert the Network Maintenance Fees in Licensee's and Sublicensees' accounts into US currency. Until paid to Licensee or Sublicensees, Licensor will hold the converted Network Maintenance Fees in trust for Licensee or Sublicensees in a separate account at an Approved Financial Institution, with interest accruing on this account for the benefit of Licensor. At Licensee's request, Licensor will execute a form of general security agreement or other agreement prepared by Licensee's solicitors to confirm Licensee's and Sublicensee's beneficial ownership of all Customer Payments made by their respective Customers, subject to the above mentioned rights of withdrawal in favour of Licensor.

8.3 LICENSE FEES AND SUBLICENSE FEES. As consideration for the grant of license and rights by Licensor and for the issuance of the warranties and representations by Licensor, Licensee hereby agrees to pay, or will direct its Software administrator to pay, to Licensor the applicable License Fees. Licensee will pay only one set of License Fees regardless of the number of computer systems or servers that the Software is installed on or utilized in the course of Licensee's Business. Licensee will pay, or will direct its Software administrator to pay, Sublicense Fees for each sublicense granted by Licensee.

8.4 MINIMUM MONTHLY LICENSE FEES. Commencing on the Effective Date, Licensee will pay Licensor a minimum monthly license fee of \$60,000 for each complete calendar month, inclusive of License Fees and Sublicense Fees payable for that month. The amount by which the minimum monthly license fees for a completed calendar month exceeds the License Fees and all Sublicense Fees paid for that month, if any, will be paid by Licensee to Licensor within 14 days of the last day of that month.

8.5 SERVICE FEES AND SUBLICENSEE SERVICE FEES. Licensee will pay, or will direct its Software administrator to pay, Service Fees to Licensor. The Service Fees will be calculated for each calendar month and paid to Licensor within 14 days after the end of the applicable calendar month. Licensee will pay, or will direct its Software administrator to pay, Sublicensee Service Fees for each sublicense granted by Licensee.

8.6 MINIMUM MONTHLY SERVICE FEES. Commencing on the Effective Date, Licensee will pay a minimum monthly service fee of \$18,000 for each complete calendar month, inclusive of the Service Fees and Sublicensee Service Fees payable for that month. The amount by which the minimum monthly service fees for a completed calendar month exceeds the Service Fees and all Sublicensee Service Fees for that calendar month will be paid by Licensee to Licensor within 14 days after the end of the calendar month.

8.7 INITIAL SETUP FEE AND SUBLICENSEE INITIALIZATION FEES. Licensee will pay Licensor the Initial Setup Fee as the one-time consideration for services rendered by Licensor to initialize and make the Software accessible for use by Licensee and its Customers. The Initial Setup Fee will be due and payable on the date the Software is first initialized and made accessible for use by Licensee and its Customers. Licensee will pay Licensor a onetime Sublicensee Initialization Fee for each Sublicensee appointed by Licensee, payable on the date the Software is first initialized for each Sublicensee and its Customers.

8.8 TAXES. The Initial Setup Fee, and all License Fees, Service Fees, Sublicense Fees, Sublicensee Service Fees and Sublicensee Initialization Fees will be subject to all laws and regulations now or hereafter in existence requiring the deduction or withholding of payment for income or other taxes and duties payable by or assessable against Licensor. Licensee will have the right to make such deductions and withholdings and to remit the same to the government or agency concerned and such action will fulfill Licensee's obligation to pay the applicable amount of License Fees, Service Fees, Sublicense Fees, Sublicensee Service Fees, Initial Setup Fee and Sublicensee Initialization Fees to Licensor. Licensor will indemnify and save Licensee harmless from all such taxes and duties.

8.9 REMITTANCE OF CONVERTED NETWORK MAINTENANCE FEES. Within 14 calendar days after the end of each calendar month, commencing 30 days after the Effective Date, Licensor will remit from Licensor's Cash Accounts;

- (a) to Licensor, or as Licensor directs, the Initial Setup Fee and all applicable License Fees, Service Fees, Sublicense Fees, Sublicensee Service Fees and Sublicensee Initialization Fees, less Withholding for the preceding month subject to any adjustments or reconciliation payments required from time to time pursuant to this Agreement;
- (b) to each Sublicensee (or as the Sublicensee directs), the Sublicensee's Portion of Residual Network Maintenance Fees after payment of the fees referred to in subsection 8.9 (a) for the preceding month; and
- (c) to Licensee (or as Licensee may direct), the Residual Network Maintenance Fees after payment of the fees and amounts referred to in subsections 8.9 (a) and (b) for the preceding month.

8.10 BOOKS AND RECORDS. Licensor will issue a monthly statement detailing the calculation and payment of the Initial Setup Fee, Network Maintenance Fees, License Fees, Service Fees, Sublicense Fees, Sublicensee Service Fees and Sublicensee Initialization Fees to accompany each payment of converted Network Maintenance Fees to Licensee. If Licensee has appointed Sublicensees, Licensor will issue separate statements and payments for the Network Maintenance Fees, Sublicense Fees, Sublicensee Service Fees and Sublicensee Initialization Fees relating to each Sublicensee's Website. This statement will be conclusive as to the contents thereof, except for manifest errors and omissions. Licensor will maintain books of account and records relating to the Initial Setup Fee, Network Maintenance Fees, License Fees, Service Fees, Sublicense Fees, Sublicensee Service Fees and Sublicensee Initialization Fees, and will take reasonable measures to ensure that these books and records are accurate. Upon reasonable notice of not less than 10 days, Licensee or Sublicensee may, at its expense, inspect such books of account and records. If an inspection determines that Licensor has not paid the correct amount of Initial Setup Fee, Network Maintenance Fees, License Fees, Service Fees, Sublicense Fees, Sublicensee Service Fees or Sublicensee Initialization Fees, then the parties will make the necessary adjusting payment within 14 calendar days after such determination. If Licensor has underpaid the correct amount of the Network Maintenance Fees, or overpaid the correct amount of Initial Setup Fee, License Fees, Service Fees, Sublicense Fees Sublicensee Service Fees or Sublicensee Initialization Fees, by more than 2%, then Licensor will bear the cost of the inspection.

8.11 INTEREST ON OVERDUE PAYMENTS. Licensor will pay to Licensee or Sublicensee, as the case may be, interest at the rate of 2% per month, compounded monthly, on all payments of funds due and owing to Licensee or Sublicensee under this Agreement and which have become overdue. Interest will accrue at the aforesaid rate on a daily basis until the outstanding payments have been made.

8.12 PRE-CONDITION TO WITHDRAWAL OF FEES. Notwithstanding any other provision of this Agreement, Licensor will not be entitled to withdraw any fees or payments from Licensor's Cash Accounts if Licensor is in default of its obligations or breach of its warranties and representations under this Agreement.

9. TOURNAMENT ENTRANCE FEES

9.1 COLLECTION OF TOURNAMENT ENTRANCE FEES. Using the Software, Licensor will deduct and collect the Tournament Entrance Fees from Customers' accounts. The Tournament Entrance Fees will be initially expressed in Customer Credits and will be recorded in a separate account for the applicable Bingo Tournament.

9.2 DISTRIBUTION OF TOURNAMENT ENTRANCE FEES. Upon completion of each Bingo Tournament, Licensor will cause the collected Tournament Entrance Fees to be distributed to Customers, in accordance with the Rules and Regulations. Nothing in this Agreement gives Licensee, Licensor, or any Sublicensee any property in or rights to the Tournament Entrance Fees, and no part of the Tournament Entrance Fees will be distributed to Licensee, Licensor, or any Sublicensee.

9.3 BOOKS AND RECORDS. On the second business day of each month Licensor will issue a statement to Licensee detailing the collection, calculation and distribution of the Tournament Entrance Fees for the immediately preceding month. Licensor will maintain books of account and records relating to the Tournament Entrance Fees and will take reasonable measures to ensure that these books and records are accurate. Upon reasonable notice of not less than 10 days, Licensee or a Sublicensee may, at its expense, inspect such books of account and records. If an inspection determines that Licensor has not collected or distributed the correct amount of the Tournament Entrance Fees, then Licensor will immediately make the necessary adjusting payment to the Customers suffering an underpayment. If Licensor has overpaid or underpaid out the Tournament Entrance Fees to Customers by a figure of greater than 0.5% for the period covered by the inspection, then Licensor will bear the cost of that inspection. If Licensee has appointed a Sublicensee or Sublicensees, then Licensor will issue separate statements for the Tournament Entrance Fees relating to each Sublicensee's Website.

PART V--CONFIDENTIAL, CUSTOMER, & PROPRIETARY INFORMATION

10. CONFIDENTIALITY

10.1 LICENSOR'S CONFIDENTIAL INFORMATION. The Software, the Documentation, and any other source code, computer program listings, techniques, algorithms, and processes and technical and marketing plans or other sensitive business information, including all materials containing said information, which are supplied by Licensor to Licensee is the confidential information of Licensor (the LICENSOR'S CONFIDENTIAL INFORMATION).

10.2 RESTRICTIONS ON USE. Licensee agrees that, except as allowed under this Agreement or as authorized in writing by Licensor, Licensee will:

- (a) preserve and protect the confidentiality of all of the Licensor's Confidential Information;
- (b) not disclose to any third party the existence, source, content, or substance of the Licensor's Confidential Information or make copies of the Licensor's Confidential Information;
- (c) not deliver any of the Licensor's Confidential Information to any third party, or permit the Licensor's Confidential Information to be removed from Licensee's premises;
- (d) not use any of the Licensor's Confidential Information in any way other than as provided in this Agreement; and
- (e) not disclose, use, or copy any third-party information or materials received in confidence by Licensee for the purposes of this Agreement.

10.3 LIMITATIONS. Information is not considered to be the Licensor's Confidential Information if Licensee can demonstrate that it:

- (a) is already or otherwise becomes publicly known through no act of Licensee;
- (b) is lawfully received from third parties subject to no restriction of confidentiality;
- (c) can be shown by Licensee to have been independently developed by it without the use of the Licensor's Confidential Information;
- (d) is required or authorized by applicable law, regulation, or by administrative, quasi-judicial, or judicial order or decree to be disclosed; or
- (e) is authorized in writing by Licensor to be disclosed, copied, or used.

10.4 LICENSEE'S CONFIDENTIAL INFORMATION. The Customer Information, all information, data, specifications, documentation, and software listings relating to Licensee's Business, and any other source code, computer program listings, techniques, algorithms, and processes and technical and marketing plans or other sensitive business information, including all materials containing said information, which Licensee may from time to time disclose or impart to Licensor is the confidential information of Licensee (the LICENSEE'S CONFIDENTIAL INFORMATION).

10.5 RESTRICTIONS ON USE. Licensor agrees that, except as authorized in writing by Licensee, Licensor will:

- (a) preserve and protect the confidentiality of all of the Licensee's Confidential Information;
- (b) not disclose to any third party the existence, source, content, or substance of the Licensee's Confidential Information or make copies of the Licensee's Confidential Information;
- (c) not deliver any of the Licensee's Confidential Information to any third party, or permit the Licensee's Confidential Information to be removed from Licensor's premises;

10.5 RESTRICTIONS ON USE. (CONTINUED)

- (d) not use any of the Licensee's Confidential Information in any way other than as provided in this Agreement;
- (e) not disclose, use, or copy any third party information or materials received in confidence by Licensor for the purposes of this Agreement; and
- (f) require that each of its employees who work on or have access to the materials that are the subject of this Agreement sign a suitable confidentiality and work- for-hire/ assignment agreement and be advised of the confidentiality and other applicable provisions of this Agreement.

10.6 LIMITATIONS. Information is not considered to be the Licensee's Confidential Information if Licensor can demonstrate that it:

- (a) is already or otherwise becomes publicly known through no act of Licensor;
- (b) is lawfully received from third parties subject to no restriction of confidentiality;
- (c) can be shown by Licensor to have been independently developed by it without the use of the Licensee's Confidential Information;
- (d) is required or authorized by applicable law, regulation, or by administrative, quasi- judicial, or judicial order or decree to be disclosed; or
- (e) is authorized in writing by Licensee to be disclosed, copied, or used.

10.7 LICENSEE REPORTS. Licensor will ensure that all reports and statements to be provided to Licensee or Sublicensees by the Software are in a secure, confidential electronic form in a format suitable for downloading by Licensee or Sublicensees via the Internet.

11. CUSTOMER INFORMATION

11.1 CUSTOMER INFORMATION. Licensor acknowledges and confirms that Licensee holds all right, title, and interest in the Customer Information. Nothing in this Agreement gives Licensor any property or interest in the Customer Information. Licensor will preserve, safeguard, and not disclose to any third party any Customer Information that Licensor may be in possession of. Licensor may use the Customer Information to further the interests of the Licensee's Business.

11.2 CUSTOMER REPORTS. Nothing in this Agreement restricts Licensor from recording, storing, manipulating, and extracting Customer Information solely for the purpose of producing the Customer reports described in Part III.

12. TRADEMARKS

12.1 RIGHT TO USE. Further to the rights granted to Licensee by Licensor, Licensor hereby grants to Licensee and Sublicensees the right to use and display Trademarks solely to the extent reasonably necessary to disclose to third parties Licensee's rights to use the Software and Licensor's ownership interest in the Software and Documentation. Licensee will display the Licensor's trademarks on Licensee's and Sublicensee's Websites in a manner as agreed between the parties.

13. NON-DISCLOSURE

13.1 NON-DISCLOSURE. Neither party will disclose any of the terms of this Agreement to any third party without first obtaining the consent of the other party, save and except where such disclosure is required or authorized by applicable law, regulation, or by administrative, quasi-judicial, or judicial order or decree to be disclosed.

PART VI--WARRANTIES & INDEMNITY

14. WARRANTIES AND INDEMNITY

14.1 GENERAL WARRANTIES. Licensor warrants as follows:

- (a) during the Warranty Period the media containing each portion of the Software and the Downloadable Software (except for modifications made by Licensee) will, under normal use, be free of defects in materials and workmanship the Software and the Downloadable Software will operate and perform in accordance with the Specifications and the Documentation, and the media containing the Software and the Downloadable Software will allow the Licensee to replicate the Software and the Downloadable Software;
- (b) Licensor is the sole and exclusive owner of all rights, whether registered or unregistered, in the Software, the Downloadable Software, and the Documentation;
- (c) the Software and the Downloadable Software are not subject to any restriction or to any mortgages, liens, pledges, charges, security interests, encumbrances, or claims or to any rights of others or any kind or nature whatsoever which may prevent, or may be breached by, the grant of license and rights to the Licensee;
- (d) the Software, the Downloadable Software, and the Documentation do not encroach or infringe upon or misappropriate any copyrights, trademarks, trade secrets, or any other proprietary or contractual rights of third parties;
- (e) Licensor has not entered into any agreement or arrangement of any kind whatsoever which may have any restricting affect upon Licensor's rights and authority to grant the license and rights to Licensee;
- (f) Licensor has not entered into any agreement or arrangement of any kind whatsoever which may have any restricting affect upon Licensor's rights and ability to carry out its responsibilities under this Agreement;
- (g) Licensor will not, for the duration of the License Term, provide any management or financial services or support to any third parties conducting business competitive to the Licensee's Business, other than Sublicensees that propose to operate or acquire an internet portal to host bingo tournaments and competitions as conducted by Licensee from time to time;
- (h) Licensor will use best commercial efforts to promote and serve the best interests of Licensee and Sublicensees;
- (i) Licensor will provide to all Sublicensees appointed by Licensee from time to time the services and facilities required to be provided to Licensee pursuant to this Agreement, subject to such enhancements or limitations as Licensee may require;
- (j) Licensor will not interfere with or interrupt the contractual relationship between Licensee and its Sublicensees; and
- (k) the execution, delivery, and the performance and completion of this Agreement by Licensor have been duly authorized by all necessary corporate resolutions of the directors and shareholders of Licensor, as necessary, and the terms of this Agreement are valid and binding obligations of Licensor.

14.2 INDEMNITY AND LIMITATION OF LICENSOR'S LIABILITY. Licensor agrees to indemnify, hold harmless, and defend Licensee and its Sublicensees, directors, officers, employees, and agents from and against all claims, defence costs (including reasonable attorney's fees and disbursements), judgments, and other expenses arising out of or on account of such claims, including without limitation claims of:

- (a) alleged infringement or violation of any trademark, copyright, trade secret, right of publicity or privacy (including but not limited to defamation), patent, or other proprietary right with respect to the Software or Documentation as delivered to Licensee;
- (b) any use of confidential or proprietary information or trade secrets Licensor has obtained from sources other than Licensee;
- (c) any misrepresentation or breach of warranty by Licensor or any negligent act, omission, or breach of Licensor in the performance of this Agreement (and for greater certainty, the failure of Licensor to provide a Sublicensee the services and facilities contemplated in this Agreement or a breach of warranty or misrepresentation by Licensor to a Sublicensee shall constitute a breach by Licensor of this Agreement); and
- (d) Licensor's failure to comply with federal, provincial, state, or local law.

Licensee agrees that Licensor's maximum aggregate liability under this Section will be limited to the lesser of (i) \$5,000,000 and (ii) the aggregate amount of the Initial Setup Fee and all License Fees, Service Fees, Sublicense Fees, Sublicensee Service Fees and Sublicensee Initialization Fees paid or payable by Licensee during the term of this Agreement and the term of Licensor's engagement under Part III. Any claim for indemnity by Licensee under this Section must be initiated or documented in writing prior to the second anniversary of the date on which Licensee first becomes aware of circumstances which entitle Licensee to claim financial recovery from Licensor under this Section. This Section will survive termination of this Agreement or any Part of this Agreement.

PART VII--CANCELLATION, TERMINATION, & DISPUTE RESOLUTION

15. CANCELLATION AND TERMINATION

- 15.1 **CANCELLATION.** If Licensee does not pay the License Fees, the Service Fees, the Sublicense Fees or the Sublicensee Services Fees (if the Sublicense Fees or Sublicensee Service Fees are applicable at a given time), then Licensor may cancel this Agreement and thereafter neither party will have any liability or obligation to the other in respect of the matters set out in this Agreement.
- 15.2 **TERMINATION.** A party may terminate this Agreement by issuing notice in writing to the other party, if any of the following events occurs:
- (a) the other party is in breach of any provision of this Agreement and fails to cure such breach within 14 days after notice of such breach is received;
 - (b) the other party is subject to voluntary or involuntary proceedings which may lead to the dissolution or winding up of its corporate existence, to a declaration of bankruptcy or insolvency against it, to the appointment of a receiver or receiver-manager in respect of its assets or to the assignment of its assets for the benefit of one or more of its secured or unsecured creditors; or
 - (c) the other party ceases to carry on business in the ordinary course.
- 15.3 **TERMINATION FOR CONVENIENCE.** Licensee or Licensor may at any time terminate Licensor's engagement under Part III, on 3 months written notice.
- 15.4 **ADDITIONAL RIGHT OF TERMINATION BY LICENSEE.** In addition to Sections 15.2 and 15.3, Licensee may immediately terminate Licensor's engagement under Part III of this Agreement at any time by providing written notice to Licensor if Licensee has reasonable grounds to believe Licensor has committed an act of fraud or dishonesty in the course of its engagement under Part III, whether or not such act has resulted in actual loss or damage to Licensee.
- 15.5 **EFFECTS.** Upon cancellation or termination of this Agreement, the parties will remain liable to each other for any defaults that occurred prior to the cancellation or termination. Licensee and all Sublicensees will immediately cease using the Software and Documentation and return all copies of the Software and Documentation, and the Licensor's Confidential Information, to Licensor. Licensor will immediately return all of the Licensee's Confidential Information, including the Customer Information, to Licensee. Licensor will, at Licensee's direction, continue to perform its obligations and duties under this Agreement to the date of termination and will cooperate fully with Licensee to ensure that other staff or contractors of Licensee become familiar with the content and status of the services and responsibilities assigned to Licensor.

16. DISPUTE RESOLUTION AND GOVERNING LAW

- 16.1 **ARBITRATION.** The parties agree to submit any dispute arising out of or in connection with this Agreement to binding arbitration in Vancouver, British Columbia before a single arbitrator, appointed by agreement of the parties (or, if they are unable to reach agreement within 21 calendar days, appointed by a justice of the British Columbia Supreme Court) pursuant to the provisions of this Section, and to the extent not inconsistent with this Agreement, the Commercial Arbitration Act (British Columbia), the International Commercial Arbitration Act (British Columbia), and the Rules of the British Columbia International Commercial Arbitration Centre. The parties agree that such arbitration will be in lieu of either party's rights to assert any claim, demand, or suit in any court action, provided that either party may elect either binding arbitration or a court action with respect to a breach by the other party of such party's proprietary rights, including without limitation any trade secrets, copyrights, or trademarks. Any arbitration will be final and binding and the arbitrator's order will be enforceable in any court of competent jurisdiction.
- 16.2 **GOVERNING LAW AND VENUE.** The validity, construction, and performance of this Agreement will be governed by the laws of British Columbia, and the applicable laws of Canada, and, subject to Section 16.1, all claims and lawsuits, or either, in connection with this Agreement must be brought in the courts of British Columbia.

PART VIII--GENERAL PROVISIONS

17. GENERAL

- 17.1 **ENTIRE AGREEMENT, MODIFICATION, AND WAIVER.** The Agreement, including the recitals and schedules, constitutes the entire agreement between the parties and replaces and supersedes any and all representations, negotiations, or agreements previously existing between the parties. This Agreement may only be modified by the prior written approval of a duly authorized representative of each party. The failure by Licensee or Licensor to enforce at any time, or for any period of time, the provisions of this Agreement, will not be interpreted to be a waiver of the right of either party to enforce any such provision.
- 17.2 **NOTICES.** All notices or demands under this Agreement will be via messenger, overnight delivery services, telecopier, or mail to the address of the receiving party specified on page one, above, and will be deemed complete upon receipt.
- 17.3 **ASSIGNMENT.** Licensee or Licensor may assign or subcontract this Agreement or any of their respective rights and obligations under this Agreement, or any Part of this Agreement, to another person or entity, upon giving the other party 14 days advance notice, which notice will include the name of the proposed assignee or subcontractor. Despite the foregoing, no such assignment or subcontract will operate to release either Licensee or Licensor from responsibility for the due performance of its obligations under this Agreement. The terms of this Agreement will be fully binding upon, enure to the benefit of, and be enforceable by the parties and their respective successors and permitted assigns.
- 17.4 **INJUNCTIVE RELIEF.** It is understood and agreed that a breach of any provision of this Agreement by either party may cause the other irreparable harm for which recovery of money damages would be inadequate and that either party will therefore be entitled to obtain timely injunctive relief to protect its rights under this Agreement in addition to any and all remedies at law.
- 17.5 **TIME OF THE ESSENCE.** Time is of the essence in this Agreement and all obligations of the parties under this Agreement.
- 17.6 **FURTHER ASSURANCES.** The parties agree to do all such further acts and execute such further documents as may be reasonably necessary to effectively carry out the terms and intent of this Agreement and to assure to Licensee all of the rights and privileges in the Software and the Documentation.
- 17.7 **PUBLIC DISCLOSURE.** Licensor and Licensee are, or will become, either a reporting issuer or controlled by a reporting issuer. Accordingly, each party will have the right, notwithstanding any other provision contained in this Agreement, to make such public disclosure relating to this Agreement and Licensee's use of and rights in the Software as may be required to comply with Licensor's and Licensee's obligations to make full disclosure of its affairs to the public and to regulatory and stock exchange officials.
- 17.8 **SEVERABILITY.** If any of the terms or provisions of this Agreement are determined to be invalid, unlawful, or unenforceable to any extent, such term or provision will be severed from the remaining terms and provisions which will continue to be valid to the fullest extent permitted by law.
- 17.9 **COUNTERPARTS.** This Agreement may be executed and delivered in counterparts and by telecopier with the same effect as if the parties had concurrently executed and delivered the same original copy of this Agreement.
- 17.10 **FORCE MAJEURE.** Neither party will be held responsible for damages caused by any delay or default due to any contingency beyond its control preventing or interfering with its performance under this Agreement.
- 17.11 **NO THIRD PARTY RIGHTS.** This Agreement is not for the benefit of any third party, and will not be considered to grant any remedy to any third party whether or not referred to in this Agreement.
- 17.12 **AGENCY.** The parties are separate and independent legal entities. Except as expressly set out herein, this Agreement will not constitute either Licensee or Licensor as an agent, representative, partner, joint venturer, or employee of the other party for any purpose. Neither party has the authority to bind the other or to incur any liability on behalf of the other, nor to direct the employees of the other.

TO EVIDENCE THEIR AGREEMENT, the parties have executed this Agreement as of the date written on page one, above.

Accepted and Agreed by Licensee:

BINGO.COM (CANADA) ENTERPRISES INC.

by:

/s/ Randy Peterson

AUTHORIZED SIGNATORY

by:

/s/ Tryon Williams

AUTHORIZED SIGNATORY

WE HAVE AUTHORITY TO BIND THE
CORPORATION

Accepted and Agreed by Licensor:

CYOP SYSTEMS INC.

by:

/s/ Mitch White

AUTHORIZED SIGNATORY

by:

AUTHORIZED SIGNATORY

WE HAVE AUTHORITY TO BIND THE
CORPORATION

SCHEDULE A

List of Approved Financial Institutions.

CIBC
HSBC Bank of Canada
Royal Bank of Canada
Scotia Bank (Bank of Nova Scotia)
TD Canada Trust

SCHEDULE B

Rules and Regulations.

Exhibit 10.8

SOFTWARE DEVELOPMENT AGREEMENT FOR SKILL-BINGO

THIS AGREEMENT is made as of the 1st day of May 2001.

BETWEEN:

BINGO.COM (CANADA) ENTERPRISES INC., a limited liability company incorporated under the laws of Canada and having its principal office at 3rd Floor, 1286 Homer Street, Vancouver, British Columbia, Canada, V6B 2Y5

(the COMPANY)

AND:

MOSHPIIT ENTERTAINMENT INC., a limited liability company incorporated under the laws of Canada, and having its principal office at 3rd Floor, 1286 Homer Street, Vancouver, British Columbia, Canada, V6B 2Y5

(the DEVELOPER)

BACKGROUND:

A. The Company wishes to develop a computer program that incorporates the design concepts and specifications as defined in Schedule A and that operates efficiently over the Internet.

B. The Company wishes to retain the Developer to develop the Program based on specifications and criteria to be determined by the Company.

AGREEMENTS:

In consideration of the premises and mutual covenants and agreements set forth in this Agreement, the Company and the Developer agree as follows:

1. DEFINITIONS & INTERPRETATION

1.1 DEFINITIONS. In this Agreement:

ALPHA COPY means a working, playable version of the Program with fully-rendered graphics and sound that the Developer believes in good faith implements 85% or more of the features required for final acceptance;

BETA COPY means a working version of the Program recorded in executable form on the specified medium with any necessary supporting software and data, which has been fully tested by the Developer prior to delivery and which the Developer believes in good faith to be bug free and to implement fully all functions called for in the Specifications;

CONFIDENTIAL INFORMATION has the meaning set out in section 7.1;

CONVERSION means the Program as modified for use on a computer or delivery technology other than the platform or platforms set forth in Schedule A;

COST OF GOODS means the actual cost to the Company of program media, manuals, and other collateral materials, packaging materials, manufacturing, and shipping costs for the Products;

DELIVERABLES means the deliverable items contracted for, which are set out in the Development Schedule;

DEVELOPMENT SCHEDULE is set out at Schedule B to this Agreement, which lists the Deliverables;

EFFECTIVE DATE means the date of this Agreement;

FINAL COPY means a non-copy protected and unencrypted disk master of the Program, recorded in executable form on the specified medium with any necessary supporting software and data, as to which all development work under this Agreement, and corrections to the Beta Copy, have been completed and which, prior to the delivery thereof to the Company, the Developer believes in good faith to conform in all respects to the Specifications;

PAYMENT SCHEDULE is set out in Schedule B to this Agreement;

PROGRAM means the software program described in the Recitals and the Specifications;

PRODUCT means an object code copy of the Program, together with associated packaging, manuals, and collateral materials;

SOURCE MATERIALS means:

(a) all source code, documentation, notes, software tools, development aids, technical documentation, and other materials provided to the Developer by the Company for use in developing the Program; and

SOURCE MATERIALS (CONTINUED)

(b) the source code, documentation, notes, and other materials which are produced or created by the Developer during the development of the Program, in such internally documented form as is actually used by the Developer for development and maintenance of the Program, together with all software tools, development aids, and technical documentation created by or for the Developer, as they may be modified, corrected, or added to from time to time, that are necessary or helpful in the modification and maintenance of the Program; and

SPECIFICATIONS for the Program will be set forth in Schedule A to this Agreement.

1.2 GENDER AND NUMBER. Words expressed in one gender include all genders, and the singular includes the plural and vice versa.

1.3 HEADINGS. Headings have been inserted into this Agreement for convenience of reference only and they do not affect the interpretation of this Agreement.

1.4 CURRENCY. All monetary values set out in this Agreement or in any Schedule to this Agreement are deemed to be in Canadian dollars, unless otherwise expressly stated.

2. DEVELOPMENT & DELIVERY OF DELIVERABLES

2.1 DEVELOPMENT AND PROGRESS REPORTS. The Developer will, in good faith and using commercially reasonable efforts, develop each Deliverable in accordance with the Specifications. All development work will be performed by the Developer or its employees at the Developer's offices or by approved independent contractors who have executed confidentiality and work-for-hire/assignment agreements that are acceptable to the Company. The Developer agrees that no development work will be performed by independent contractors without the express written approval of the Company. Each week following execution of this Agreement during which any development or testing under this Agreement remains uncompleted, and whenever the Company reasonably requests, the Developer will contact, or meet with the Company's representative, and report all tasks completed and problems encountered relating to development and testing of the Program. During such discussion or meeting, the Developer will advise the Company in detail of any recommended changes with respect to remaining phases of development in view of the Developer's experience with the completed development. In addition, the Developer will contact the Company's representative promptly by telephone upon discovery of any event or problem that may materially delay development work, and thereafter, if requested, promptly confirm such report in writing.

2.2 DELIVERY. The Developer will deliver all Deliverables for the Program within the times specified in the Development Schedule and in accordance with the Specifications.

2.3 MANNER OF DELIVERY. The Developer will comply with all reasonable requests of the Company as to the manner of delivery of all Deliverables, which may include delivery by electronic means.

2.4 DELIVERY OF SOURCE MATERIALS. Upon request by the Company, but in no event later than the delivery of the Final Copy, the Developer will deliver to the Company all Source Materials.

3. TESTING & ACCEPTANCE; EFFECT OF REJECTION

3.1 TESTING AND ACCEPTANCE PROCEDURE. The Developer will thoroughly test all Deliverables, and will make all necessary corrections as a result of such testing, prior to delivery to the Company. Upon receipt of a Deliverable, the Company may, in its sole discretion, either:

- (a) accept the Deliverable and make the milestone payment set forth in Schedule B; or
- (b) provide the Developer with notice of the aspects in which the Deliverable contains errors or does not conform to the Specifications and request that the Developer correct said Deliverable.

3.2 ADDITIONAL QA PASSES. If the Company requests that the Developer correct the Deliverable, then the Developer will within 5 calendar days of such notice, or such longer period as the Company may allow, submit at no additional charge a revised Deliverable in which such errors have been corrected. Upon receipt of the corrected Deliverable, the Company may, in its sole discretion:

- (a) accept the corrected Deliverable and make the milestone payment set forth in Schedule B; or
- (b) request that the Developer make further corrections to the Deliverable and repeat the correction and review procedure set forth in this section 3.2.

In the event that the Company determines, in its sole discretion, that the Deliverable is still not acceptable after 3 attempts at correction by the Developer, then the Company may terminate this Agreement.

4. OTHER OBLIGATIONS OF THE DEVELOPER

4.1 PRODUCT QUALITY. The Developer agrees that the Program will be of high quality and will be free of defects in material and workmanship in all material respects, and the Program will conform in all respects to the functional and other descriptions contained in the Specifications. For a period of one year after the date of acceptance of the Final Copy by the Company, the Developer will fix at its own expense:

- (a) any errors or defects in the Program; and
- (b) any failure of the Program to conform to the Specifications that may be discovered in the Program.

4.2 PRODUCT SUPPORT. The Developer will provide the Company with reasonable technical support and assistance for a period of one year after the date of acceptance of the Final Copy by the Company. The Developer will inform the Company, and the Company will inform the Developer, promptly of any known defects or operational errors in the program.

5. PROPRIETARY RIGHTS & RIGHTS CONVEYED TO THE COMPANY

5.1 COMPANY'S OWNERSHIP RIGHTS. The Developer acknowledges and agrees that the Program, Product, and Source Materials, including but not limited to all source and object code, audiovisual effects created by the program code, and any documentation and notes associated with the Program, Product, and Source Materials are and will be the property of the Company. Title to all property rights, including but not limited to copyrights, trademarks, patents, and trade secrets, in the Program, Product, and Source Materials is with, and will remain with, the Company. No license or other rights in the Program, Produce, or Source Materials is granted to the Developer by or under this Agreement.

5.2 ASSIGNMENT OF RIGHTS. Subject to section 5.3, the Developer agrees to transfer and assign, and hereby transfers and assigns to the Company its entire right, title, and interest, if any, including without limitation all copyright ownership therein, no matter when acquired, in the Program and Source Materials, including but not limited to all source and object code, audiovisual effects created by program code, and any documentation and notes associated with the Program and Source Materials. The Developer will cooperate with the Company in perfecting any such assignment of rights, including without limitation by executing and delivering such documents as the Company may request. During and after the term of this Agreement, the Developer will assist the Company in every reasonable way, at the Company's expense, to establish original ownership of all such Developer's developments on the part of the Company. The Developer hereby waives any and all claims that the Developer may now or hereafter have in any jurisdiction to so-called moral rights with respect to the results of the Developer's work and services under this Agreement.

5.3 DEVELOPER'S LIBRARY ROUTINES AND MODULES. The Developer reserves all of its right, title, and interest in the Developer's library routines and modules used in the creation of the Program. In the event that the Company has, whether under this Agreement, by operation of law, or otherwise, acquired any right, title, or interest in the library routines and modules used by the Developer in the creation of the Program, the Company agrees to transfer and assign, and hereby transfers and assigns, to the Developer its entire right, title, and interest, if any, including without limitation all copyright ownership therein, no matter when acquired, in the library routines and modules used by the Developer in the creation of the Program. The Company will cooperate with the Developer in perfecting any such assignment of rights, including without limitation by executing and delivering such documents as the Developer may request. During and after the term of this Agreement, the Company will assist the Developer in every reasonable way, at the Developer's expense, to establish original ownership of all library routines and modules used by the Developer in the creation of the Program.

6. COMPETING PRODUCTS

6.1 COMPETING PRODUCTS. During the term of this Agreement and for as long as the Company, its affiliates, or its sublicensees operates or maintains an Internet portal or website that hosts, operates, and organizes skill-based bingo tournaments and competitions, the Developer will refrain from developing or assisting with the development of any computer software programs that offer the same or similar functions as the Program (the COMPETING PRODUCTS). For greater certainty, a Competing Product is a computer software program that does not infringe upon or violate the Company's or any third party's intellectual property rights, but that is the same specific type of program as the Program.

7 CONFIDENTIALITY

7.1 CONFIDENTIAL INFORMATION. The terms of this Agreement, the Source Materials, and any other source code, compute program listings, techniques, algorithms, and processes and technical and marketing plans or other sensitive business information, including all materials containing said information, which are supplied by the Company to the Developer or developed by the Developer in the course of developing the Program conversion is the confidential information (the CONFIDENTIAL INFORMATION) of the Company.

7.2 RESTRICTIONS ON USE. The Developer agrees that, except as authorized in writing by the Company, the Developer will:

- (a) preserve and protect the confidentiality of all Confidential Information;
- (b) not disclose to any third party the existence, source, content, or substance of the Confidential Information or make copies of the Confidential Information;
- (c) not deliver any Confidential Information to any third party, or permit the Confidential Information to be removed from the Developer's premises;
- (d) not use any Confidential Information in any way other than to develop the Program as provided in this Agreement;
- (e) not disclose, use, or copy any third party information or materials received in confidence by the Developer for purposes of work performed under this Agreement; and
- (f) require that each of its employees who work on or have access to the materials that are the subject of this Agreement sign a suitable confidentiality and work-for-hire/ assignment agreement and be advised of the confidentiality and other applicable provisions of this Agreement.

7.3 LIMITATIONS. Information is not considered to be Confidential Information if the Developer can demonstrate that it:

- (a) is already or other becomes publicly known through no act of the Developer;
- (b) is lawfully received from third parties subject to no restriction of confidentiality;
- (c) can be shown by the Developer to have been independently developed by it without the use of Confidential Information;
- (d) is required or authorized by applicable law, regulation, or by administrative, quasi-judicial, or judicial order or decree to be disclosed; or
- (e) is authorized in writing by the Company to be disclosed, copied, or used.

7.4 RETURN OF SOURCE MATERIALS. Upon the Company's acceptance of the Final Copy of the Program, or upon the Company's earlier request, the Developer will provide the Company with all copies and originals of the Program and the Source Materials, as well as any other materials provided to the Developer or created by the Developer under this Agreement. Not later than 7 calendar days after the termination of this Agreement for any reason, or if sooner requested by the Company, the Developer will return to the Company all originals and copies of the Confidential Information, Program, and Source Materials, as well as any other materials provided to the Developer, or created by the Developer under this Agreement, except that the Developer may retain one copy of the Program and the Source Materials, which will remain the confidential property of the Company, for the sole purpose of assisting the Developer in maintaining the Program. The Developer will return said copy to the Company promptly upon request by the Company.

7.5 THIRD PARTY CONFIDENTIAL INFORMATION. The Developer acknowledges that its association with the Company is in no way conditioned or based upon its knowledge or disclosure to the Company of confidential information or trade secrets of others, and agrees that the Developer will not disclose to the Company or induce the Company to use confidential information or trade secrets belonging to any third party. The Developer will advise the Company of any arrangements or other circumstances that may give rise to such a confidential relationship.

8. WARRANTIES, COVENANTS & INDEMNIFICATION

8.1 WARRANTIES AND COVENANTS OF THE DEVELOPER. The Developer represents, warrants, and covenants to the Company the following:

- (a) the Developer has the full power to enter into this Agreement and perform the services provided for in this Agreement, and that such ability is not limited or restricted by any agreements or understandings between the Developer and other persons or companies;
- (b) any information or materials developed for, or any advice provided to the Company, will not rely or in any way be based upon confidential or proprietary information or trade secrets obtained or derived by the Developer from sources other than the Company, unless the Developer has received specific instructions in writing to use such proprietary information or trade secrets;
- (c) the code and other materials and information provided by the Developer, and any of the modifications made by the Developer, to the program materials provided by the Company do not infringe upon or misappropriate any copyright, patent right, right of publicity or privacy (including but not limited to defamation), trade secret, or other proprietary rights of any third party; and
- (d) its performance of this Agreement does not conflict, and will not conflict, with any other contract the Developer is a party to, and while working on the Program, the Developer will not engage in any such consulting services or enter into any agreement in conflict with this Agreement. The Developer will not provide any services under this Agreement while the Developer is an employee of any company or other entity.

8.2 DEVELOPER'S INDEMNITY. The Developer agrees to indemnify, hold harmless, and defend the Company and its directors, officers, employees, and agents from and against all claims, defence costs (including reasonable attorney's fees and disbursements), judgments, and other expenses arising out of or on account of such claims, including without limitation claims of:

- (a) alleged infringement or violation of any trademark, copyright, trade secret, right of publicity or privacy (including but not limited to defamation), patent, or other proprietary right with respect to the Program or Source Materials to the extent that the Developer has modified or added to the materials provided by the Company;
- (b) any use of confidential or proprietary information or trade secrets the Developer has obtained from sources other than the Company;
- (c) any negligent act, omission, or willful misconduct of the Developer in the performance of this Agreement;
- (d) the Developer's failure to comply with federal, provincial, or local law; and
- (e) the breach of any covenant or warranty set forth in section 8.1, above.

8.3 CONDITIONS TO INDEMNITY. The Developer's obligation to indemnify is conditioned on the Company's notifying the Developer of any claim as to which indemnification will be sought and providing the Developer with reasonable cooperation in the defense and settlement thereof. Any claim for indemnity by the Company under this Agreement must be initiated or documented in writing prior to the second anniversary of the date on which the Company first becomes aware of circumstances that entitle the Company to claim financial recovery from the Developer under this Article 8.

9. DEVELOPMENT FEES

9.1 PROGRESS PAYMENTS. The Company will pay the Developer according to the Payment Schedule set forth in Schedule B, upon the Company's acceptance of each deliverable.

9.2 COMPLIANCE WITH LAWS. Any and all amounts payable to the Developer under this Agreement will be subject to all laws and regulations now or hereafter in existence requiring the deduction or withholding of payment for income or other taxes payable by or assessable against the Developer. The Company will have the right to make such deductions and withholdings and the payment thereof to the governmental agency concerned, and the Developer agrees that it will make and prosecute any claims that it may have with respect thereto directly with the governmental agency having jurisdiction over such matter.

10. TERMINATION

10.1 **TERMINATION FOR NON-PERFORMANCE OR DELAY.** In the event of a termination this Agreement by the Company pursuant to section 3.2 of this Agreement, the Company will have no further obligations or liabilities under this Agreement. The Company will have the right, in addition to all of its other rights, to require the Developer to deliver to the Company all of the Developer's work in progress, including all originals and copies thereof, as well as any other materials provided to the Developer, or created by the Developer under this Agreement. Payment of any Development Schedule milestones under Schedule B which have been met will be deemed payment in full for all obligations of the Company under this Agreement, including full payment for all source code, object code, documentation, notes, graphics, and all other materials and work relating to the portion of the Program that has been completed as of the time of termination.

10.2 **TERMINATION FOR CONVENIENCE.** The Company may at any time terminate this Agreement on 21 calendar days written notice. In the event of such termination, the Company's entire financial obligation to the Developer will be for then accrued payments due under the Payment Schedule, plus the pro-rated portion of the next payment, if any, due with respect to items being worked on up to the time of termination.

11. DISPUTE RESOLUTION & GOVERNING LAW

11.1 **ARBITRATION.** The parties agree to submit any dispute arising out of or in connection with this Agreement to binding arbitration in Vancouver, British Columbia before a single arbitrator, appointed by agreement of the parties (or, if they are unable to reach agreement within 21 calendar days, appointed by a justice of the British Columbia Supreme Court) pursuant to the provisions of this section 11.1, and to the extent not inconsistent with this Agreement, the Commercial Arbitration Act (British Columbia), the International Commercial Arbitration Act (British Columbia), and the Rules of the British Columbia International Commercial Arbitration Centre. The parties agree that such arbitration will be in lieu of either party's rights to assert any claim, demand, or suit in any court action, provided that either party may elect either binding arbitration or a court action with respect to a breach by the other party of such party's proprietary rights, including without limitation any trade secrets, copyrights, or trademarks. Any arbitration will be final and binding and the arbitrator's order will be enforceable in any court of competent jurisdiction.

11.2 **GOVERNING LAW AND VENUE.** The validity, construction, and performance of this Agreement will be governed by the laws of British Columbia, and the applicable laws of Canada, and all claims and/ or lawsuits in connection with this Agreement must be brought in the courts of British Columbia or in the Federal Court of Canada.

12. GENERAL PROVISIONS

12.1 **NOTICES.** For the purposes of all notices and other communications required or permitted to be given under this Agreement, the addresses of the parties will be as indicated on page one, above. All notices will be in writing and will be sent via messenger, overnight delivery services, telecopier, or mail, and will be deemed complete upon receipt.

12.2 **ENTIRE AGREEMENT.** This Agreement, including the attached Schedules which are incorporated by reference as though fully set out, contains the entire understanding and agreement between the parties with respect to its subject matter, supersedes all prior oral or written understandings and agreements relating thereto except as expressly otherwise provided, and may not be altered, modified, or waived in whole or in part, except in writing, signed by the duly authorized representatives of the parties.

12.3 **FORCE MAJEURE.** Neither party will be held responsible for damages caused by any delay or default due to any contingency beyond its control preventing or interfering with performance under this Agreement.

12.4 **SEVERABILITY.** If any provision of this Agreement is held by a court of competent jurisdiction to be contrary to any law, the remaining provisions will remain in full force and effect as if said provision never existed.

12.5 **CONTRACT ASSIGNMENT.** This Agreement is personal to the Developer. The Developer may not sell, transfer, sublicense, hypothecate, or assign its rights and duties under this Agreement without the written consent of the Company. No rights of the Developer under this Agreement will devolve by operation of law or otherwise upon any receiver, liquidator, trustee, or other party. This Agreement enures to the benefit of the Company, its successors, and assigns.

12.6 WAIVER AND AMENDMENT. No waiver, amendment, or modification of any provision of this Agreement will be effective unless consented to by both parties in writing. No failure or delay by either party in exercising any rights, power, or remedy under this Agreement will operate as a waiver of any such right, power, or remedy.

12.7 AGENCY. The parties are separate and independent legal entities. The Developer is performing services for the Company as an independent contractor. Nothing contained in this Agreement will be deemed to constitute either the Developer or the Company as an agent, representative, partner, joint venturer, or employee of the other party for any purpose. Neither party has the authority to bind the other or to incur any liability on behalf of the other, nor to direct the employees of the other.

12.8 CONTRACT INTERPRETATION. Ambiguities, inconsistencies, or conflicts in this Agreement will not be strictly construed against the drafter of the language but will be resolved by applying the most reasonable interpretation under the circumstances, giving full consideration to the parties' intentions at the time this Agreement is entered into.

12.9 NO THIRD PARTY RIGHTS. This Agreement is not for the benefit of any third party, and will not be considered to grant any remedy to any third party whether or not referred to in this Agreement.

12.10 LIMITATION ON LIABILITY; REMEDIES. Except as provided in Article 8 above with respect to third party indemnification, neither party will be liable to the other party for any incidental, consequential, special, or punitive damages of any kind or nature, including without limitation the breach of this Agreement or any termination of this Agreement, whether such liability is asserted on the basis of contract, tort (including negligence or strict liability), or otherwise, even if either party has warned or been warned of the possibility of any such loss or damage.

12.11 EQUITABLE RELIEF. The Developer acknowledges that any breach of the confidentiality provisions of this Agreement by the Developer will result in irreparable harm to the Company. The Developer therefore agrees that the Company will have the right to an injunction or other equitable relief to enforce this Agreement and any of its provisions, without prejudice to any other rights and remedies that the Company may have.

12.12 TIME. Time is of the essence in this Agreement.

12.13 RELATIONSHIP OF THE PARTIES. The Developer:

- (a) is an independent contractor, not an employee of the Company. No employment relationship is created by this Agreement;
- (b) as used in this Agreement, means the person or entity that signs this Agreement and all its employees and agents;
- (c) will retain independent professional status throughout this Agreement and will use his or her own discretion in performing the tasks assigned;
- (d) is not an employee of the Company and is ineligible for any benefits that the Company offers to its employees; and
- (e) will report as income to the appropriate government agencies all compensation received pursuant to this Agreement and will pay all applicable taxes. The Company will not make deductions from its fees for taxes, insurance, bonds, or other subscription of any kind.

12.14 COUNTERPARTS. This Agreement may be executed and delivered in counterparts and by telecopier with the same effect as if the parties had concurrently executed and delivered the same original copy of this Agreement.

AS EVIDENCE OF THEIR AGREEMENT the parties have executed this Agreement on the date written on page one, above.

Accepted and Agreed by the Company:

Accepted and Agreed by the Developer:

BINGO.COM (CANADA) ENTERPRISES INC.

MOSH PIT ENTERTAINMENT INC.

by: by:

/s/ Randy Peterson

/s/ Steve White

AUTHORIZED SIGNATORY

AUTHORIZED SIGNATORY

by:

by:

/s/ Tryon Williams

AUTHORIZED SIGNATORY

AUTHORIZED SIGNATORY

WE HAVE AUTHORITY TO BIND THE
CORPORATION

WE HAVE AUTHORITY TO BIND THE
CORPORATION

SCHEDULE A

SPECIFICATIONS

SKILL BINGO , TOURNAMENT OF SKILL

SKILL BINGO, unlike the conventional namesake Bingo, is a game of skill and not a game of chance. It is not a gambling game as there are no elements of chance that predominate game play. The randomness of called numbers and unique bingo cards is not a factor in the winning outcome of this game. None of the elements of chance are necessary for game play. Any randomness introduced to the game play system will apply to all participants equally and is only in place to facilitate game play and provide for interest of play. SKILL BINGO lends itself to both the online or electronic format and conventional bingo parlor play.

Description of Traditional BINGO

Traditional Bingo is a game of chance and essentially a lottery where multiple players purchase unique bingo cards, comprised of a series of numbers in preset patterns, that when compared to a series of randomly selected numbers called during the game, a winner is determined. The more cards the player has in the game the greater their chance of winning, only in the sense that buying more individual lottery tickets in a field of lottery tickets gives one a greater chance of winning the draw. People pay to play bingo and the primary motivator is to win money. The game contains the three elements that, for most jurisdictions, distinguish it as a gambling game i.e. Chance, Consideration and Reward.

The following description applies to both the conventional parlor mode of play and Internet based game play, where players meet virtually.

Traditional BINGO is played in person in a large hall. The more players and cards in play the greater the sum of money to be won. Players meet at the hall, pay a fee to get in, then the games begin. A night of BINGO consists of many BINGO games played continuously, one after another.

A single BINGO game proceeds like this: Each player has a number of BINGO cards (players can usually play any number of cards but pay extra for additional cards). Each BINGO card has a grid of 5 rows and 5 columns thus providing 25 spaces.

The columns are labeled from left to right with the letters: 'B', 'I', 'N', 'G', and 'O'. With one exception (the center space under the letter N is labeled free) the spaces in the card are assigned values as follows:

- O Each space in the 'B' column contains a number from 1 - 15.
- O Each space in the 'I' column contains a number from 16 - 30.
- O Each space in the 'N' column contains a number from 31 - 45.
- O Each space in the 'G' column contains a number from 46 - 60.
- O Each space in the 'O' column contains a number from 61 - 75.

A number can appear only once on a single card.

Sample BINGO card:

[Illustration of Bingo Card]

Mathematically there are 1,474,200 possible unique bingo cards in a game.

[4(15x14x13x12x11) + (15x14x13x12)] The number of possible BINGO cards has nothing to do with a player's chance of winning. It only creates a field of uniquely numbered cards.

Chances of Winning

Every BINGO game has a winning card, so a player's chances of winning depends on the number of cards in the game and how many cards they are playing. For example, if a player has 14 cards in a game with 1400 cards, the chances of winning for that player is 1 in 100.

There are 75 possible BINGO numbers: B1 to B15, I16 to I30, N31 to N45, and G46 to G60 and O61 to O75

In the conventional Bingo parlor a ball in a large rotating drum represents each of these numbers. Each ball is painted with its unique BINGO number. An announcer spins the drum to ensure the numbers are selected randomly, reaches in and selects a ball. He announces it to the room. The players check all of their cards to see if that number appears on their card. If it is, they mark it.

When a player has a BINGO (i.e. 5 in a row, column, diagonal or one of many other game patterns), he or she calls out BINGO. The game pauses while the card is verified. If indeed a winner, the game stops and a new game begin. If the card wasn't a winner, the game proceeds where it left off. Each BINGO game proceeds until someone wins (there's always a winner).

The online version of conventional Bingo is essentially the same except the physical aspect of a numbered ball and rotating drum is replaced with a series of random number generators that ensure randomly selected numbers. The virtual card replaces the printed-paper card. The virtual cards may be randomly generated or selected from a database of pre-generated cards. The people meet to play online utilizing computers versus meeting in person. Conventional Bingo is a gambling game! Most Internet based bingo games are played for fun or for sweepstakes prizes because of jurisdictional restrictions placed on gambling. Most conventional Bingo parlors must operate with jurisdictional authorization again because of restrictions place on gambling.

SKILL BINGO GAME DESCRIPTION

1. The look and feel of SKILL BINGO is similar to Bingo. The card layout and the calling of numbers will remain the same. The game is presently designed to take advantage of Internet play, however Skill Bingo has additional practicable applications for play in conventional parlors, closed LAN systems, WAP technology applications and most any other mode of multiplayer interactive technology. SKILL BINGO has enormous commercial value owing to the fact that, as a game of skill it is relieved of many of the restrictions and prohibitions that are imposed on gambling games by many jurisdictions. Additionally, it will be attractive to many organizations that have shied away from Bingo and other gambling games as a method of fund raising because of moral concerns about games of chance.

SKILL BINGO GAME DESCRIPTION (CONTINUED)

2. The basis for winning changes completely. Bingo's elements of chance

i.e. the random drawing of numbers and unique bingo cards, no longer determines the winner. Several skill sets are introduced that make SKILL BINGO a competitive game where skill, knowledge or a combination of both solely determines the winning outcome.

The following skills are used to predominate the play of the game and allow for an experienced player to predictably win over an unskilled player:

i. Eye-hand coordination ii. Reaction time iii. Dexterity iv. Spatial memory

v. Long term memory vi. Pattern recognition vii. Organizational skills viii. Strategic planning ix. Game play knowledge, general knowledge and intelligence

(depending on skill set being tested in the game format)

3. All players will play identical cards where in Bingo all cards are unique. Even when playing multiple cards, all players playing the same number of cards will be presented with identical layouts and numbers.

4. The player will select the number of cards (skill level) they wish to play in the game. When all players have logged in, selected their playing level, paid their entrance fees (similar to the purchase of Bingo cards) and received the game package the game is ready to proceed. Players with like numbers of cards will compete with those of the same number of cards, unless a handicapping procedure or open contest is in play. As the numbers are called, the player must quickly navigate the series of cards, identify and daub the identical numbers on their respective cards. All players play identical cards so it becomes a timed competition of who can keep up with the called numbers, navigate their cards, daub the respective numbers, identify winning combinations and stop the clock by the click of a button or similar action. As the numbers are called all players will potentially have bingo at the same time. A sophisticated method of timing is introduced so that the time difference of the start and stop of the game between players can be calculated. This time difference coupled with the successful marking of all numbers on all cards leading up to the bingo will determine the winners. Both speed and accuracy will be important. These are only two of many criteria that can be implemented into the judging protocol. For example it could also allow for a skill testing questions or product recognition.

5. A ranking/handicapping system may be implemented to restrict skilled players to compete at a higher skill level i.e. more cards or with greater difficulty, than those of lesser skill or ranking. As an example, as a skilled player I can efficiently manage 25 cards during the play of a game but others can only handle 10. I would predictably win over all others and likely to take advantage of others in a system of play where a player's rank or handicap is not known. A skilled player would be restricted to play at a certain level but all players would be open to play above their ranking if they so desired.

6. This type of game play lends itself to the ranking and handicapping of players just as in any other skill based sport or competition. The concept is similar to that of professional chess play. Skilled players will play more difficult games than those of lesser skill. Players can be ranked to facilitate fair game play and a system of handicapping could be implemented to allow competition between players of unequal skill-set. An open challenge format could also exist.

7. As a player's skill increases the difficulty of play can also increase. This, like in all contests of skill, allows for ongoing fair competition, skill development, ranking and peer recognition. The increase in gameplay difficulty and skill-set can be accomplished through a system of Bingo card and game play variance. For example:

Number of cards played

Speed at which numbers are called

Type of game patterns and combinations of games within a game
i.e. line, diagonal, four corners and the other myriad of conventional patterns found in Bingo.

Unexpected changing of card locations or order (shuffling)

Varying Daubing methods

O Single, double or triple bingos required

O The addition of skill testing questions or puzzles etc.

O Varying the number of columns or rows of letters and numbers to create larger or smaller number of spaces on the game card. Play can be adapted to accommodate renaming of the game to allow for sponsorship or advertising. I.e. instead of bingo in 5 columns maybe use ford in four or Intel in 5 columns or Microtel in 8 columns. Instead of numbers being called it may be words, symbols, pictures, sounds, colors or one of many other user input stimulus. This game can be adapted to allow for personal handicaps like deafness, blindness etc. depending on the stimuli built into the skill set. In fact it can be adapted not to include a bingo style card at all. It could be crosswords, trivia questions, and math problems. The basis of the play is the testing of knowledge and other skill sets in a timed forum.

8. In traditional Bingo one of the primary game motivators is the chance of winning money over and above the cost of playing. Although one of the strong motivators of SKILL BINGO will be the thrill of competition, heightened by the ranking and peer recognition of successful gameplay, the financial incentive is still important. In conventional Bingo the player purchases individual cards for each given game or a bank of cards for a session. The prize pool is dependent on the number of cards bought and the cost of each card. The profit comes from winning a preset part of the prize pool. The prize pool in SKILL BINGO will not necessarily be depended on the number of cards in play. The proposed method of play will be in the form of an entrance fee paid to compete in a given game, much like in a tournament. Different skill levels may have different numbers of cards but the entrance fee will not necessarily depend on how many cards are being played. The percentage paid to the winners and the size of the prize pool will usually depend on the amount of the entrance fee, the numbers of players and any additional sponsorship monies should that be the type of game being played.

9. To play the game of SKILL BINGO or any of the derivative games over the Internet, the players will be members of a game portal and identifiable. The preferred method for the payment of entrance fees will be by credit or debit card. As such, personal details and core data will be available for fraud prevention, security and the integrity of the system. The players will not necessarily be fully identifiable to each other and user names may be permitted. Unlike conventional Bingo played for fun over the Internet, this system allows for a ranking and handicapping system to be developed to facilitate fair competition and gameplay between players of uneven skill set. The ranking of players would be available information for all participants. At the end of each game scoring information would be available and historical statistical data would form the basis for ranking. This ranking/handicapping system could be a method reflecting speed of game play, games won at a given level, money earned or a combination of all. In addition, a method of play could be implemented so that if a player wins at a certain skill level for a predetermined number of games their ranking or handicap would increase. They would then be restricted from playing at a lower skill level or must play with an equalizing handicap. This would ensure that the skilled player could not always dominate in the lower skill level games. A player could always compete at a higher skill level if they so desired. An open challenge format could also be used where the size of the entrance fee and a predetermined skill level (number and type of cards to be played) would be self equalizing and the lesser skilled participants would play knowing they may be at a disadvantage, but they would gain the experience of more challenging play. The size and number of prize awards could be varied depending on the style of the game and the rules set in advance. The principle described in this paragraph can be adapted to accommodate SKILL BINGO to be played through any multiplayer interactive technology. It also lends itself to play in the conventional Bingo parlor with certain equipment modifications to capture speed, accuracy and other judging criteria.

10. As mentioned above the system to facilitate SKILL BINGO incorporates a membership database, historical and statistical information database as well as a transactional system for the receiving of membership and entrance fees and payout of prizes.

GAME SYSTEM OVERVIEW

1. The game software being utilized is written in Java, as the game will then run on most platforms. The soft ware could be also written in C, C+ or HTML as required. In the preferred method the game software is resident on a system of clients and servers that are connected to the Internet. Other methods could include LANs, WANs, WAP enabled technologies or any other system of multiplayer interactive gameplay.

2. The game system may include but is not restricted to:

O A Client/User (computer, WAP phone, PDA, game box etc.)

O Bingo/Game server

O SMS server (Server Management Software)

O Transactional system server and database

O Membership database

O Historical data and Ranking/Handicapping database

3. Our preferred method is for the game to be run in a browser window however it could be a separate application.

4. The Client software talks to the Game Server software and the SMS Server. The Game Server software talks to the SMS Server software. The SMS server talks to the Transactional Server and relevant databases.

5. The Client Software resident on the Client performs the following functions:

O Contains and displays the card combinations, sounds and other information sent by the Bingo Server to allow the user to play the game.

O The Client Software communicates with the SMS Server on startup. The user will input core membership and financial data for authentication and the Client will send this information to the SMS Server. The user will be presented with options for game play and this input data will be forwarded to the SMS Server for the formation of the tournaments, collection of network and game entrance fees. A game for play is selected.

O When the tournament is organized the client is passed over to the Bingo Server. The Client negotiates a secure channel (SSL), which allows for an encrypted and secure communication between the Client and the Bingo Server.

O For integrity purposes the Bingo Server sends a challenge phrase to the Client before the game commences. At the end of the game the Client must respond to the Bingo Server with the correct answer to ensure that there has been no tampering.

O At the start of the game the Bingo Server sends the game information (start game packet) to the Client. The information will include the layout of the cards, the numbers to be called, the speed and other skill set variables for the game to be played. This information is displayed to the user and the game commences. The Client Software displays the called numbers to the user, calculates the speed for the balls to be called and records the user input data, i.e. the daubing of the numbers on the cards. The preferred method for user input data will be via mouse, however this could be a keyboard or any other input peripheral. ON THE NOTIFICATION OF A BINGO, THE CLIENT SOFTWARE CALCULATES THE TIME TAKEN TO PLAY THE GAME FROM START TO FINISH AND SENDS THIS INFORMATION TO THE BINGO SERVER ALONG WITH ANY OTHER INPUT USER DATA FOR JUDGING PURPOSES. Because of latency issues inherent to the Internet the Bingo Server never really knows when the bingo is called by the Client and calculating the time of play in this method equalizes gameplay for all computers, regardless of processor speed or quality of Internet connection. Latency, distance and bandwidth no longer become issues for fairness and equality of play. In game systems like a LAN, where latency is already equal for all machines the timing could be calculated at the Bingo Server.

O At the end of the game the Client displays the results of the competition and the updated financial or other information sent from the Bingo Server. The user will then decide whether to play another game at which time a new browser will be opened and the process repeats itself.

6. The Bingo Server software resident on the Bingo Server is game specific and performs the following functions:

O Responsible for the play of the game. Sets the parameters of play, the type of games and patterns, the skill levels, the number of cards and the type of tournaments.

O Generates the Bingo cards from a database of cards, random number generators or preset combinations. The cards may be of a traditional makeup with 5 columns and 5 rows totaling 25 spaces. Across the top are the columns indexed with the letters BINGO. The middle space is free while the remaining 24 spaces show a unique number between 1 and 75. As mentioned above the game can be adapted to any number of layouts, spaces, numbers, pictures etc.

O Generates the called numbers from a database of preset numbers or calculates them through a random number selection generator.

O Sends the challenge phrase to the client and receives the answer at the end of the game. It compares the information to ensure no tampering.

O Receives the Organized tournaments from the SMS Server.

O Gives the start time for the game.

O Listens for bingos called.

O Calculates the winners from the user input data, game play timing and other information sent by the Client.

O Responds and tells the client to display the results of the game.

O Communicates with the SMS Server and forwards game results and other statistical information.

7. The software on the SMS Server performs the following functions:

O The SMS Server hosts the website that the client initially communicates with and will log in with to play the game.

O Communicates with the Client and authenticates the membership and identity of the player. The SMS Server can validate or deny access to the client. Game tournaments can be tailored for different jurisdictional requirements or restrictions.

O Communicates with the transactional server or application.

O Communicates with the Ranking/Handicapping server or application.

O Contains the tournament logic. Organizes the multiple clients and the tournaments. Collects network fees, entrance fees and talks with the membership database.

O The SMS Server will ensure that the tournament conditions are met and then will allocate a Bingo Server to host a game within the tournament setup. The SMS Server will pass the players to the Bingo Server for gameplay.

O Communicates with the Bingo Server after the game completes to update results and other statistical information.

SCHEDULE B

DEVELOPMENT SCHEDULE & PAYMENT SCHEDULE

ITEM -----	DUE DATE -----	PAYMENT UPON ACCEPTANCE -----
Contract signing	May 1, 2001	\$ 30,000
Delivery of Alpha Copy	June 16, 2001	\$ 60,000
Delivery of Beta Copy	July 23, 2001	\$ 60,000
Delivery of Final Copy and Source Materials	July 30, 2001	\$ 90,000
Acceptance of Final Copy	August 31, 2001	\$ 60,000
 TOTAL:		 \$300,000 =====

Each of the foregoing milestone payments will be payable upon the Company's acceptance of an acceptable Deliverable.

BONUS. The Company agrees to pay the Developer a bonus of \$50,000, which will be payable to the Developer in the event that the Developer delivers a Final Copy of the Program that is acceptable to the Company prior to July 16, 2001.