

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

B E T W E E N:

JAMES RYAN

Applicant

-and-

6356095 CANADA INC.

Respondent

**APPLICATION UNDER SECTIONS 211(8) AND 223(2) OF THE CANADA BUSINESS
CORPORATIONS ACT, R.S.C. 1985, c. C-44, AS AMENDED, AND RULE 14.05(2) OF
THE RULES OF CIVIL PROCEDURE**

**SUPPLEMENTAL REPORT TO THE
THIRD REPORT TO THE COURT OF XMT LIQUIDATIONS INC.**

Date of Report: August 31st, 2010

Purpose of Report

1. This report is filed to supplement certain information contained in the Third Report to the Court of XMT Liquidations Inc., in its capacity as the court appointed liquidator of the Respondent, formerly known as Excapsa Software Inc. (the "**Liquidator**"), dated August 25, 2010 (the "**Third Report**") as a consequence of additional information becoming available to the Liquidator subsequent to the filing of the Third Report.
2. Capitalized terms used herein and not otherwise defined herein have the meaning ascribed to them in the Third Report.

Further Correspondence from Counsel to Blast Off Limited

3. Paragraph 21 of the Third Report referred to correspondence from Blast Off's counsel dated August 10, 2010 alleging certain facts regarding the operations of the Respondent prior to the October 2006 sale to Blast Off which facts were alleged to possibly have significant implications for the future profitability of Blast Off.
4. Further correspondence from Blast Off's counsel dated August 27, 2010 (and addressed to counsel to the Inspectors) declared that as a result of the concerns raised in the August 20, 2010 letter the holder of the Long Term Debt (as defined in the Amending Agreement) has elected to exercise its rights in respect of the collateral forming the subject matter of its security agreement and that such collateral has been conveyed in accordance with the terms of the security agreement. The correspondence does not specify to whom such collateral has been conveyed but does state that counsel to Blast Off has been advised that the conveyed collateral does not include any collateral over which Excapsa has been granted a security interest.
5. The August 27, 2010 letter also states that given the concerns raised in the August 10, 2010 letter, Blast Off intends to wind-up any and all operations related to the assets over which Excapsa has been granted a security interest.
6. The Liquidator understands that counsel to Blast Off is taking the position that certain information contained in both the August 10, 2010 letter and the August 27, 2010 letter constitute without prejudice communications in light of potential impending litigation against Excapsa or are otherwise confidential. Accordingly, the Liquidator has not provided a copy of such correspondence to this Court but obviously will do so if so directed by the Court.

Blanca Games, Inc. Press Release

7. A copy of a press release issued by Blanca Games, Inc. ("**Blanca Games**") on August 26, 2010 is attached hereto as Appendix "A" (the "**Press Release**").

8. The Press Release states that Blanca Games has acquired the Cereus Poker Network ("**Cereus**") which includes the network operations, software, the absolutepoker.com brand and the ub.com brand.
9. The Liquidator understands that Tokwiro Enterprises Enrg., a sole proprietorship of Joseph Tokwiro Norton, controls Cereus. The Liquidator also understands that Joseph Tokwiro Norton is the sole shareholder of Blast Off. Joseph Tokwiro Norton is a former Grand Chief of the Mohawk Council of Kahnawá:ke.
10. At this time, the Liquidator has been unable to confirm whether or not the conveyance of collateral referred to in the August 27, 2010 letter is related in any way to the sale transaction described in the Press Release. However, the Liquidator is concerned that assets of Blast Off over which Excapsa has a security interest have possibly been conveyed to Blanca Games. If this is in fact true, then such a conveyance would be in breach of or have otherwise triggered various rights under the Amending Agreement and related documents including the underlying security agreements (collectively, the "**Documents**"). Even if such a conveyance did not include assets over which Excapsa has a security interest, it may have triggered the application of certain other provisions of the Documents including the right to require full payment of the New Notes. The Liquidator is aware that counsel to the Inspectors has responded to the August 27, 2010 letter and has raised these concerns with counsel to Blast Off.
11. The Liquidator is attempting to use all commercially reasonable means possible in order to obtain all of the facts related to the conveyance referenced in the August 27, 2010 letter and the sale to Blanca Games as quickly as possible in order to determine whether or not any of the assets over which Excapsa has been granted a security interest are in fact involved and whether or not these transactions are in breach of or otherwise trigger rights under the Documents. To the extent available and commercially practical, the Liquidator intends to enforce all of its or Excapsa's rights and remedies in this regard.

Payment Default by Blast Off

12. Blast Off failed to make the payment of US \$50,000 due to Excapsa on August 27, 2010 in accordance with the terms of August 5 Undertaking in connection with Blast Off's payment obligations under the New Notes as described in paragraph 20 in the Third Report.
13. Notice of this default was provided to Blast Off by the Liquidator's counsel on August 30, 2010.
14. Pursuant to the August 5 Undertaking, a payment of US \$75,000 is due from Blast Off to Excapsa on September 3, 21010

Resignation of Last Director

15. On August 23, 2010, Gail Gleed resigned as a director of Excapsa, leaving Excapsa with no directors. As outlined at paragraph 34 of the Third Report, the Liquidator is of the view that a functioning board is not required and that the resulting director fees that would be associated with having directors can be saved. Gail Gleed remains as the sole Inspector of Excapsa in these liquidation proceedings.

Correct Appendix D to the Third Report

16. The first attachment to Appendix D of the Third Report, being pages from and including 94 to and including 98 of the motion record of the Liquidator for the motion in these proceedings returnable on September 2, 2010, was the incorrect attachment and should have been the Amendment to Sale Documents Agreement dated as of September 22, 2008 as attached hereto as Appendix "B".

All of which is respectfully submitted this 31st day of August, 2010.

**XMT LIQUIDATIONS INC., in its
capacity as liquidator of 6356095
Canada Inc., and not in its personal
capacity**

by


Name: Sheldon Krakower, C.A.
Title: Director

LIST OF APPENDICES

- Appendix A – Blanca Games Press Release dated August 26, 2010.
- Appendix B – Amendment to Sale Documents Agreement dated September 22, 2008.

**This is Appendix A of the Supplemental Report to the Third Report to the Court of XMT
Liquidations Inc.**

Blanca Games Press Release dated August 26, 2010.



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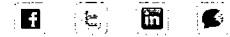
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Blanca Games Acquires Cereus Network

New Ownership for AbsolutePoker.com and UB.com

ST. JOHN'S, Antigua and Barbuda, Aug. 26 /PRNewswire/ -- Blanca Games, Inc. (Blanca), led by e-gaming entrepreneur Stuart Gordon, today announced that Blanca has acquired the Cereus Poker Network (Cereus), one of the largest poker networks in the world. The terms of the transaction were not disclosed.

Blanca's acquisition of Cereus includes the Network operations, software, the absolutepoker.com brand, and the ub.com brand. Blanca has received authorization from the Kahnawake Gaming Commission (KGC) to complete the acquisition and operate the Cereus Poker Network.

Stuart Gordon, Chief Executive Officer of Blanca Games, said, "The acquisition of Cereus is a significant opportunity for us. Cereus is a major platform of well-managed assets. Over the past few years, it has created new brands, like ub.com, that are extremely well-positioned in the most desirable demographic in our market: players in the 20s and 30s age brackets. From our perspective, we have acquired a large, sophisticated online gaming operation with state-of-the-art capabilities, ranging from compliance to business intelligence to online marketing to customer service. We see a tremendous growth opportunity in this deal and beyond, as Blanca seeks additional acquisitions in the market."

Mr. Gordon further commented, "We are confident that the Cereus Network has found an excellent home in Blanca Games. Over the past several years, Cereus has developed into an outstanding platform, which is poised for significant growth. This transaction will benefit Cereus players and employees alike. We expect no changes in the playing experience on the Cereus sites, except for the improvements that will likely be the long-term result of this transaction."

Commenting on Blanca's priorities for Cereus going forward, Mr. Gordon added: "We intend to leverage the existing strengths of the Cereus Poker Network, particularly in the areas of security and customer service. Although we are impressed with many of the new security features on the Network today, security is and will remain our top priority. We're also pleased with the efficiency and the player-friendly approach of Cereus's customer service operation, but we will always be seeking to improve in this area."

About Blanca Games, Inc. Stuart Gordon established Blanca Games, Inc. for the purposes, among others, of making acquisitions in the online gaming industry, including the purchase of the Cereus Poker Network. Mr. Gordon is the CEO of Blanca and is a pioneer in the online gaming industry. He is also the founder and operator of bingomania.com and Helix Gaming International, Ltd, which are licensed and regulated both in the jurisdictions of Kahnawake and Antigua. <http://blancagames.com/>

SOURCE Blanca Games, Inc.

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**This is Appendix B of the Supplemental Report to the Third Report to the Court of XMT
Liquidations Inc.**

Amendment to Sale Documents Agreement dated September 22, 2008.

AMENDMENT TO SALE DOCUMENTS

This Amendment (the "Amendment") is made as of the last date set forth below, by and among 6356095 Canada Inc., formerly known as Excapsa Software Inc., a corporation continued under the laws of Canada (the "Seller"), Blast Off Limited, a corporation established under the laws of Malta (the "Buyer") and Tokwiro Enterprises ENRG, a sole proprietorship registered under the laws of the Province of Quebec ("Tokwiro"). The Seller and the Buyer are referred to herein as the "Parties".

WHEREAS, the Buyer and the Seller entered into a Stock-Purchase Agreement effective October 12, 2006 pursuant to which the Seller sold all of its shares of Game Theory Holdings Ltd. ("GTHL") and Excapsa Services Inc. to the Buyer, and in connection therewith, the Buyer, its Subsidiaries and the Seller have also entered into, or agreed to enter into, an Addendum, Promissory Note and Security Agreement of even date and certain other agreements, all as more particularly described in Schedule "A" hereto (together referred to herein collectively as the "Sale Documents");

AND WHEREAS, Tokwiro has purchased all of the outstanding shares of the Buyer (the "Secondary Transfer"), which sale remains subject to the subsequent approval of this Amendment;

AND WHEREAS, the Seller is in liquidation in virtue of a Court Order made on November 30, 2006 by the Honourable Madam Justice Mesbur of the Ontario Superior Court of Justice ("Commercial List") (the "Court") as amended by Orders dated December 22, 2006 and August 21, 2008;

AND WHEREAS, XMT Liquidations Inc. (the "Liquidator") was appointed as the substitute liquidator of the Seller by order of the Court on August 21, 2008, replacing Mintz & Partners Limited;

AND WHEREAS, the Buyer has asserted certain claims against the Seller which claims are more fully set forth in that certain letter of the Buyer's legal counsel (Messrs. Paliare Roland Rosenberg Rothstein LLP) dated August 23, 2008 claiming damages in an amount of \$US 81,400,000 (hereinafter the "Buyer's Claim");

AND WHEREAS, the Buyer has ceased making instalment payments under the Promissory Note since October 2007, other than a partial payment made in December 2007;

AND WHEREAS, the Seller does not admit or acknowledge the validity of the Buyer's Claim;

AND WHEREAS, the Parties wish to clarify and modify certain security obligations required by the Sale Documents;

AND WHEREAS, the Parties desire to amend the Sale Documents and resolve their outstanding difference (including the Buyer's Claim) as hereinafter provided.

NOW THEREFORE, in consideration of the covenants set forth herein, such consideration constituting good, valuable, and adequate consideration, the Parties hereby agree as follows:

1. Disposition of the Buyer's Claim and Confirmation of Promissory Note. The Parties agree to settle the Buyer's Claim as follows:

- (i) The Seller shall pay the Buyer the sum of US\$14,625,000 (the "Settlement Payment"). The Settlement Payment shall be made on the business day immediately following satisfaction of the "Liquidator's Conditions Precedent" (as defined below) to the Settlement Payment (the "Payment Date"). It is expressly agreed by the Parties that the Settlement Payment constitutes a reduction of the Purchase Price under the Stock Purchase Agreement. The Stock Purchase Agreement as well as the Promissory Note are amended accordingly;
- (ii) The Buyer shall use its best efforts to cause the delivery to the Seller of duly executed stock powers and an agreement to sell shares for cancellation, each in a form (including the guarantee of signature thereon) acceptable to the Seller, together with the related share certificates in respect of approximately (but not less than) 6,900,000 shares in the capital stock of the Seller to be purchased for cancellation by the Seller for the aggregate sum of US\$1.00. The said shares belong to third parties known to the Parties who have consented to such transfer, provided that the other documentation required by the Seller is in order (including a sworn declaration of loss from the registered holder); the Seller agrees to waive delivery of share certificates for up to 4,400,000 of the said 6,900,000 shares;
- (iii) The Settlement Payment shall be made on the Payment Date to Tokwiro by wire transfer to the account(s) designated by Tokwiro, and the Buyer consents to and directs the Seller to effectuate such payment to Tokwiro;
- (iv) The Buyer shall use its best efforts to arrange for certain shareholders of the Seller to pledge approximately (but not less than) 49,300,000 outstanding shares in the capital stock of the Seller (the "Pledged Shares") as collateral security for the next US\$10,250,000 of payments due hereafter on account of the principal portion of the indebtedness under the Promissory Note (including the One-Time Payment as defined below) (such portion of the indebtedness is referred to herein as the "Pledge-Backed Indebtedness") by: (a) causing the delivery of stock powers in a form acceptable to the Seller to transfer such shares to a new corporation approved by the Seller ("Newco"); (b) causing Newco to execute a limited recourse guarantee and stock pledge agreement in forms acceptable to the Seller (collectively the "Securities Pledge Agreement") in respect of such shares; and (c) causing delivery to the Seller of duly executed stock powers (including the guarantee of signatures) in forms satisfactory to the Seller together with the

related share certificates in respect of the pledged shares. The said shares belong to third parties known to the Parties who have consented to such transfer;

- (v) The Indebtedness of the Buyer under the Promissory Note is hereby confirmed and is in the principal amount of US\$108,869,257 on the date hereof. The Promissory Note will be amended as hereinafter provided; and
- (vi) The Buyer will satisfy the Liquidator's Conditions Precedent set forth in Section 13 hereof.

For further clarity, the Parties have expressly agreed that there shall be no novation of the obligations created pursuant to the Sale Documents including, without limitation, the obligations of the Buyer pursuant to the Promissory Note. The failure of the Buyer to deliver or cause the delivery of the agreements, instruments and documents referred to in subsections (ii) and (iv) above shall not constitute a breach of the Buyer hereunder, provided that the Buyer satisfies the "Liquidator's Condition Precedent" relating to such items. It is expressly agreed by the parties that the Buyers Claim is settled and the Settlement Payment will be made without any admission of liability whatsoever, but rather to buy the peace. Each of the Seller and the Buyer expressly denies any liability or wrongdoing on its own part or by any of its current and former directors, officers and employees in relation to any matter contemplated by the Buyer's Claim.

2. **Definitions.** In this Amendment: (i) the term "Software" means the online gaming software indirectly transferred by the Seller to the Buyer by way of the sale of the shares of GTHL pursuant to the Sale Documents and now owned by Game Theory Limited and currently used at the domain names Ultimatebet.com, Ultimateblackjack.com and Ultimatepoker.com (the "Websites"); together with any updates, upgrades, modifications and improvements thereto and all related materials and documentation; and includes, without limitation, all applications of such Software (including poker, blackjack, tournament blackjack, game engine, and all back office applications), and all operating systems, interfaces, development tools, test environments (including hardware), content and other software code and all related materials and documentation, whether in object code, source code or other form, or in SQL, hypertext or wireless mark-up, xml or other language; and (ii) "Subsidiary" and "Affiliate" have the meanings ascribed to those terms in the *Canada Business Corporations Act*, as amended from time to time, and "Subsidiaries" and "Affiliates" have similar extended meanings.

3. **Ownership of the Buyer.** The Buyer hereby represents and warrants to the Seller that the Buyer is beneficially owned by the sole owner of Tokwiro and that the Software, as well as the Secured Stock and the Secured Assets (as defined in Section 10 below) are solely beneficially owned, directly or indirectly by the entities designated by the Buyer to the Seller, all of which such entities shall be subject to the obligations of the Buyer under this Agreement and shall execute counterpart(s) to this Amendment. No changes shall be made to the owner(s) of the Secured Stock and the Secured Assets without the prior written approval of the Seller, which may not be unreasonably withheld and, in order to provide such consent, the Seller shall, acting reasonably, be satisfied that all of its rights and interests hereunder including, without limitation, the security interests in the Secured Stock and the Secured Assets (as hereinafter defined) are

unimpaired and remain fully perfected and enforceable in accordance with the provisions of this Agreement and any other agreement, instrument or document delivered pursuant hereto.

4. Correction. Section 1 of the Promissory Note is amended by deleting the words "One Hundred and Twenty Million" and substituting the words "One Hundred and Twenty Five Million".

5. Interest. Section 4, the last two sections of Section 10 and the first sentence of Section 13 of the Promissory Note are deleted in their entirety and restated as follows:

"Prior to a Default, interest shall accrue on the Indebtedness from the date of this Promissory Note at the greater of: (a) the simple rate of 12% per annum compounded annually; or (b) the official Bank Rate of the Bank of England paid on commercial bank reserves on the first business day of each month while the Promissory Note is outstanding (as reported through www.bankofengland.co.uk or any replacement official website) plus 3 percentage points per annum compounded annually (ie. if the Bank of England rate is 5.25% per annum on the first business day of a month, then the rate pursuant to clause (b) would be 8.25% per annum). After Default, interest shall accrue on the Indebtedness at the rate of the lesser of 18% per annum or the maximum rate permitted under applicable law, compounded annually. The Parties acknowledge that the Promissory Note shall be further amended to the extent necessary to reflect that all payments made under the Promissory Note (including any payments made prior to the date of this Amendment) shall first be applied to pay down principal, and thereafter to pay down interest and/or any other amounts owed under the Promissory Note. Within ten (10) days of the end of each month, the Seller or its authorized representatives shall provide an invoice to the Buyer and Tokwiro for the interest accrued in the immediately preceding month setting forth the applicable interest rate for such month based on the greater of the amounts determined pursuant to clauses (a) and (b) above, and each invoice shall, absent manifest error, be conclusive and binding on the Seller and the Buyer, provided that the failure of the Seller or its authorized representatives to issue one or more monthly invoices for accrued interest shall not restrict, impair or otherwise affect the right of the Seller to recover such accrued interest. Subject to Section 7 of this Promissory Note, interest accrued on the Indebtedness up to the date hereof (as detailed below) and interest accruing on the Indebtedness after the date hereof shall become due and be paid by the Buyer to the Seller at the end of the term of the Promissory Note. In the event of a Default, the Buyer shall be entitled to immediately recover accrued and unpaid interest in full and interest accruing after Default shall be payable by the Buyer on demand. Interest on overdue interest, if any, shall, as the case may be, accrue and be paid at the pre-Default rate or the post-Default rate specified in this Section 4. The Buyer acknowledges that, at the date hereof, it is indebted to the Seller for interest in the amount of US\$24,234,795.39, accrued from October 12, 2006 to September 30, 2007 at the Default rate and interest from October 1, 2007 to the date hereof at the post-Default rate, such amount to be

