

**COMMONWEALTH OF KENTUCKY
FRANKLIN CIRCUIT COURT
DIVISION II
CIVIL ACTION NO. 10-CI-505**

COMMONWEALTH OF KENTUCKY
ex rel. J. Michael Brown, Secretary,
JUSTICE AND PUBLIC SAFETY CABINET

PLAINTIFF

v.

FIRST AMENDED COMPLAINT

POCKET KINGS, LTD, a foreign business entity;
PARTYGAMING PLC, a foreign business entity; and
UNKNOWN DEFENDANTS

DEFENDANTS

* * * * *

Comes the Plaintiff, Commonwealth of Kentucky *ex rel.* J. Michael Brown, Secretary, Justice and Public Safety Cabinet (“Commonwealth”), by and through counsel, and for its First Amended Complaint against PartyGaming PLC in this civil action states as follows:

1. The Complaint is adopted and incorporated by reference into this First Amended Complaint as if it were set forth in its entirety.

2. The Commonwealth is a sovereign state established as a commonwealth by its Constitution. J. Michael Brown is the Secretary of the Justice and Public Safety Cabinet, a state agency and subdivision of the Commonwealth of Kentucky established pursuant to Kentucky law. The Commonwealth brings this claim in its own right and on behalf of its citizens.

3. PartyGaming PLC (“PartyGaming”) is an business entity organized under the laws of the Gibraltar and having a registered office located at 711 Europort, Gibraltar. The chief executive officer of PartyGaming is Jim Ryan.

4. At all relevant times, PartyGaming acted to facilitate, host, operate, and profit from an its online gaming business and brands, commonly known as, without limitation, PartyPoker, PartyCasino, FoxyBing and PartyBets.

5. The amount in controversy exceeds the jurisdictional minimum of this Court.

6. This Court has personal jurisdiction over PartyGaming pursuant to KRS 454.210.

PartyGaming has sufficient minimum contacts with the Commonwealth to establish personal jurisdiction. Through their joint venture and concerted action, PartyGaming has: (i) purposefully and knowingly conducted commercial transactions with persons whom it knew to be located within the borders of Commonwealth; (ii) purposefully and knowingly entered into commercial contracts and agreements with persons whom it knew to be located within the borders of Commonwealth; (iii) purposefully and knowingly solicited, received and accepted transfers of money from persons whom it knew to be located within the borders of Commonwealth; (iv) purposefully and knowingly extended credit and accepted transfers of money and credit from credit providers on behalf of persons whom it knew to be located within the borders of Commonwealth; (v) purposefully and knowingly hosted online poker games in which persons it knew to be located within the borders of Commonwealth placed bets; (vi) purposefully and knowingly maintained accounts for persons it knew to be located within the borders of Commonwealth for the purpose of betting, winning and losing on online gambling games offered by PartyGaming; (vii) purposefully and knowingly collected money lost through betting on gambling games offered by PartyGaming from persons they knew to be located within the borders of Commonwealth; (viii) purposefully and knowingly received a portion of the “take,” “take out,” or commission that PartyGaming charged on money transferred to PartyGaming or that was bet, lost or won in poker games hosted by PartyGaming by persons they knew to be located within the borders of Commonwealth; (ix) purposefully and knowingly received portions of money bet and lost by persons it knew to be located within the borders of Commonwealth; (x) purposefully and knowingly shared in the profits from gambling games offered by PartyGaming derived from persons it knew to be located within the borders of Commonwealth; (xi)

purposefully and knowingly received portions of money deposited, bet, won, or lost in gambling games offered by PartyGaming by persons they knew to be located within the borders of Commonwealth; (xii) designed, used and operated highly-interactive websites with a purposeful, specific intention to do business over the Internet with persons it knew to be located within the borders of the Commonwealth; (xiii) designed and provided proprietary software that it transmitted and installed on computers located in Kentucky and thereby configured, programmed and caused the Kentucky computers to function as gambling terminals for gambling games offered by PartyGaming, including but not limited to the financial transactions, transfers of money and credit lent between Kentucky residents and PartyGaming. These activities were solely for pecuniary gain. On information and belief, during the period that is the subject of this action, PartyGaming engaged in substantial financial, credit and commercial transactions, involving millions of dollars, with thousands of persons it knew were located within the borders of the Commonwealth. A clear commercial link exists between the PartyGaming and residents of the Commonwealth and warrants a finding of personal jurisdiction. The Commonwealth's causes of action have a substantial connection with the PartyGaming's activities in the Commonwealth. Moreover, the Commonwealth's causes of action directly and proximately result from PartyGaming's contacts and transactions with residents of the Commonwealth. PartyGaming's contacts are substantial, long-term, continuous and systematic, and create a substantial connection with the Commonwealth. PartyGaming's conduct and connection with the Commonwealth are such that it should reasonably anticipate being haled into court in the Commonwealth. PartyGaming has done, or has caused to be done, tortuous acts in the Commonwealth for which the Commonwealth has a substantial and compelling interest in exercising personal jurisdiction over PartyGaming. At all relevant times, PartyGaming had the choice to sever its connection with the Commonwealth, as it did on October 13, 2006, and not to

do business with residents of the Commonwealth if it determined the risks of personal jurisdiction were too great. Instead, at all relevant times prior to October 13, 2006, PartyGaming chose to do business with residents of the Commonwealth. PartyGaming purposefully availed itself of the privilege of acting and doing business in the Commonwealth or causing a consequence in the Commonwealth. The Commonwealth's claims arise directly from PartyGaming's activities and contacts with the Commonwealth. PartyGaming acts or the consequences caused by PartyGaming are a substantial enough connection with the Commonwealth to make the exercise of jurisdiction over PartyGaming reasonable.

7. Venue is proper pursuant to KRS 454.210(4).

8. PartyGaming ("PartyGaming", or the "Company") was founded in 1997 as an online casino known as Starluck Casino, taking its present name, PartyGaming, in 2005. The Company was incorporated in Gibraltar in April 2004.

9. On June 27, 2005, PartyGaming offered its shares of common stock to certain investors (the "IPO") and was admitted to trade on the London Stock Exchange ("LSE"), under the symbol "PRTY." The founders of the Company, and its principal shareholders at the time of the IPO, retained majority ownership of the outstanding shares of common stock of the Company, to wit, approximately 70.4 percent collectively of the Company's outstanding shares of common stock immediately after the offering.

10. PartyGaming offers a variety of real money and free-play games through a number of "Party"-branded or secondary branded websites, such as, without limitation, PartyPoker, PartyCasino, FoxyBingo and PartyBets. From 1997 until October 13, 2006, PartyGaming offered internet gaming, including real-money poker and casino gaming, to players in the United States, including residents of Kentucky.

11. PartyGaming launched real-money poker games in 2000. At all times prior to October 13, 2006, most of PartyGaming's customers were located in the United States, including in Kentucky. At the time that PartyGaming began trading on the London Stock Exchange, approximately 88% of its customers were located in the United States. PartyGaming marketed its poker and casino games to U.S. customers, including residents of Kentucky.

12. PartyGaming continued to offer online gambling to U.S. customers, including Kentucky residents, until October 13, 2006, the day the Unlawful Internet Gambling Enforcement Act (the "UIGEA") was signed and became law, at which time PartyGaming voluntarily left the U.S. market.

13. At no time during which PartyGaming offered real-money gambling to person in the United States, including Kentucky, did PartyGaming apply for a license in, or receive a license from, any jurisdiction in the United States, including Kentucky.

14. Although PartyGaming had no physical presence in the United States, in order to enable its U.S. customers to fund accounts at PartyGaming, it contracted through its subsidiaries with various financial services companies that either operated in the United States themselves or had relationships with other companies that operated in the United States. Once these accounts were funded, PartyGaming customers, including those in Kentucky, could use funds in the accounts to gamble in the poker and casino games offered by the Company.

15. Prior to 2001, most of PartyGaming's customers in the United States funded their PartyGaming accounts by making credit card payments. In order to process credit card transactions, PartyGaming maintained accounts with banks, known as "acquiring banks," which initiated charges over credit card payments platforms against credit card accounts of U.S. customers, including Kentucky residents. In 2001, however, the credit card payment platforms introduced regulations requiring acquiring banks—including those serving PartyGaming—to

apply a particular transaction code, code “7995,” to internet gambling transactions. This change negatively affected PartyGaming’s business because certain U.S. “issuing banks” (i.e. the banks that issue credit cards to customers) refused to authorize 7995-coded ecommerce transactions. The number of U.S. issuing banks declining 7995 ecommerce transactions increased significantly over time.

16. Beginning in 2001, PartyGaming began using various methods to process U.S. generated internet gambling transactions, including those in Kentucky, without coding them as 7995 transactions. One such method involved the use of third parties—known as payment services providers or PSPs—who misrepresent the nature of internet gambling transactions to the acquiring bank so that the acquiring bank would apply a non-7995 code to the transactions. Another method involved U.S. customers using their credit cards to purchase “virtual” credit card accounts and “phone cards.” Once funded, the customer could and did use their “virtual” credit card and phone card accounts to transfer money to their PartyGaming accounts, without the transaction being coded as a 7995 transaction. While the “phone card” could technically be used to place phone calls, it was rarely used for that purpose. The Company also worked through an intermediary entity established to service the Company’s processing needs to develop relationships with U.S.-based ACH (or Automated Clearing House) processors. The ACH processors provided a service through which U.S. customers could transfer money through “electronic checks” from their own U.S.-based bank accounts to PartyGaming. The owner of the intermediary entity also operated a franchise of an international money remitting company in Gibraltar, that accepted payments from U.S. customers nominally addressed to particular individuals in Gibraltar that were in fact simply transferred to the customer’s account at PartyGaming.

17. Likewise, PartyGaming also masked payments to U.S. customers, including those in Kentucky, who sought to withdraw winnings from their PartyGaming accounts by engaging an intermediary to open bank accounts in the United States, that were funded by PartyGaming, under the name “Advanced Marketing Solutions.” The intermediary mailed checks to U.S. customers from within the United States, including those from within Kentucky, under the name “Advanced Marketing Solutions.”

18. PartyGaming stated in its 2005 IPO prospectus that “[t]here is uncertainty as to the legality of online gaming in most countries and in many countries, including the U.S., the Group’s [Party Gaming’s] activities are considered to be illegal by relevant authorities.”

19. PartyGaming’s conduct described above violated certain U.S. criminal laws, including 18 U.S.C. § 1955 (illegal gambling), 18 U.S.C. § 1343 (fraud by wire communications), and 18 U.S.C. § 1344 (bank fraud).

20. On or about April 6, 2009, Party Gaming entered into a non-prosecution agreement (the “Non-Prosecution Agreement”) with the Office of the United States Attorney for the Southern District of New York (“O.U.S.A.”), in which Party Gaming acknowledged and accepted as accurate a certain Statement of Facts, promised to continue to cooperate in the O.U.S.A.’s investigation, promised to maintain a permanent restriction preventing internet gambling services from being provided to customers in the U.S. or any jurisdiction within the U.S., including Kentucky, and agreed to pay a civil forfeiture of \$105 million. A copy of the Non-Prosecution Agreement, including the Statement of Facts, is attached as Exhibit A and is incorporated herein by reference.

21. On December 16, 2008, Anurag Dikshit, a founder and former officer and director of PartyGaming, pleaded guilty in the United States District Court for the Southern District of New York to using the wires to transmit bets and wagering information in interstate commerce

as part of the PartyGaming gambling enterprise. Mr. Dikshit faces a maximum sentence of two years in prison and a fine of \$250,000, or twice the gross gain or loss from the offense. Mr. Dikshit also admitted to civil forfeiture allegations requiring him to forfeit \$300 million to the United States. Mr. Dikshit is scheduled to be sentenced on September 30, 2010. A copy of the press release from the Office of the U.S. Attorney for the Southern District of New York is attached as Exhibit B and incorporated herein by reference.

22. During the period from August 5, 2005 through October 13, 2006, PartyGaming engaged in the above-described transactions with thousands of Kentucky residents.

23. In its poker games, PartyGaming took a percentage of the amount bet, won or lost as the “rake,” “take out” or commission for hosting the poker games.

24. In its casino games, PartyGaming acted as the “house,” a participant who played against its customers. In each instance where the customer lost a bet, PartyGaming won the bet.

25. PartyGaming designed and provided proprietary software that it transmitted and installed on computers located in Kentucky, including computers located in Franklin County, Kentucky. The software configured, programmed and caused the Kentucky computers to function as poker-playing terminals for poker games hosted by PartyGaming, including but not limited to the financial transactions, transfers of money and credit lent between Kentucky residents and PartyGaming.

26. PartyGaming entered into contracts with Kentucky residents concerning: the gambling games that PartyGaming hosted; the transfer of money to PartyGaming to be used to bet on the gambling games; payment processing and financial transactions for the gambling games; the payment of losses from the gambling games; the collection of winnings from the gambling games; and, the advancement of money and credit for betting on the gambling games.

27. Pursuant to KRS 372.010, these contracts and transactions are void.

28. PartyGaming solicited, received, and accepted transfers of money and credit from residents of Kentucky, for the purpose of betting, winning and losing on gambling games hosted by PartyGaming, to pay losses incurred in gambling games hosted by PartyGaming, and to pay the “rake” that PartyGaming charged as a commission.

29. Pursuant to KRS 372.010, these transfers are void.

30. During the period August 5, 2005 through October 13, 2006, thousands of other Kentucky residents lost, either at one time or within 24 hours, five dollars (\$5.00) or more and has paid, transferred, or delivered money lost in gambling games hosted by PartyGaming, and, for purposes of KRS 372.020 and 372.040, are “losers.”

31. PartyGaming won money that the Kentucky residents lost in the gambling games, benefited from the gambling games, shared in the profits from the gambling games, received a portion of the money deposited, bet, won, or lost in the gambling games, received a portion of the “take,” “take out,” or commissions charged on money transferred to PartyGaming or that is bet on the gambling games, all out of the losses sustained by the residents of Kentucky.

32. For purposes of KRS 372.020 and 372.040, PartyGaming is a “winner” and liable for treble the full amount lost by the thousands of Kentucky residents who lost money playing at PartyPoker. *Veterans Service Club v. Sweeny*, Ky., 252 S.W.2d 25 (1952); *Tyler v. Goodman*, 240 S.W.2d 582 (Ky. 1951); *Cartwright v. McElwain*, Ky., 116 S.W. 297 (1909); *Triplett v. Seelback*, Ky., 14 S.W. 948 (1890).

33. On information and belief, no “losers” located in Kentucky or their creditors have sued PartyGaming for the money they lost in the games and prosecuted the suit to recover with due diligence within six months after payment or delivery to the “winner.”

34. Pursuant to KRS 372.040, the Commonwealth is entitled to sue and recover treble the value of the money lost during the statutory period between August 5, 2005 and October 13, 2006 by persons located within the borders of Kentucky.

35. The transactions that PartyGaming engaged in have not been authorized, permitted, or legalized by KRS Chapters 154A, 230, 238, or any other Kentucky statute.

36. The Commonwealth sues to recover only for transactions involving persons located within the borders of the Commonwealth.

37. PartyGaming is liable to the Commonwealth for treble the amount of gambling losses sustained by Kentucky-based gamblers between August 5, 2005 and October 13, 2006.

WHEREFORE, Plaintiff, Commonwealth of Kentucky *ex. rel* J. Michael Brown, Secretary, Cabinet for Justice and Public Safety, respectfully requests the following relief:

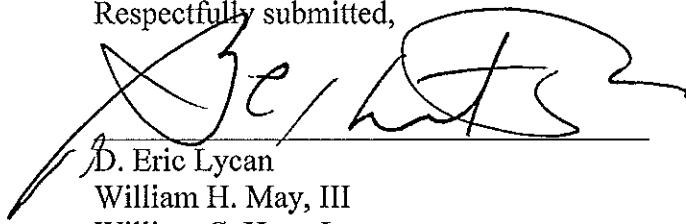
A. Judgment against the defendants, in an amount to be determined at trial, representing treble the amount of money lost between August 5, 2005 and October 13, 2006. by persons located within the borders of Kentucky;

B. Pre-judgment and post-judgment interest;

D. Costs, including attorney fees, incurred herein; and

E. Such further relief as the Court deems just and proper.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. Eric Lycan", written over a horizontal line. The signature is stylized and cursive.

D. Eric Lycan

William H. May, III

William C. Hurt, Jr.

HURT, CROSBIE & MAY, PLLC

127 W. Main Street

Lexington, Kentucky 40507

Telephone: (859) 254-0000

Fax: (859) 254-4763

COUNSEL FOR THE COMMONWEALTH



U.S. Department of Justice

United States Attorney
Southern District of New York

The Silvio J. Mollo Building
One Saint Andrew's Plaza
New York, New York 10007

April 6, 2009

Via Federal Express
E. Lawrence Barcella, Jr., Esq.
Behnam Dayanim, Esq.
Paul, Hastings, Janofsky & Walker LLP
875 15th Street, NW
Washington, DC 20005

Re: PartyGaming Plc -- Non-Prosecution Agreement

Dear Sirs:

On the understandings specified below, the Office of the United States Attorney for the Southern District of New York (the "Office") will not criminally prosecute PartyGaming Plc and its subsidiaries (collectively, "PartyGaming") for any crimes (except for criminal tax violations, as to which this Office cannot and does not make any agreement) related to PartyGaming's internet gambling business with customers in the United States from 1997 through and including 2006. This conduct is described more fully in the Statement of Facts, attached hereto as Exhibit A, which is incorporated by reference herein. This Agreement is entered into by PartyGaming pursuant to authority conveyed by resolution of the Board of Directors of PartyGaming. A copy of this resolution is attached hereto as Exhibit B.

Moreover, if PartyGaming fully complies with the understandings specified in this Agreement, no information provided to the Office or at its request by or on behalf of PartyGaming or (or any other information directly or indirectly derived therefrom) will be used against PartyGaming in any criminal tax prosecution. This Agreement does not provide any protection against prosecution for any crimes except as set forth above, and applies only to PartyGaming and not to any other entities or any individuals. PartyGaming expressly understands that the protections provided to PartyGaming by this Agreement shall not apply to any successor entities, whether the successor's interest arises through a merger or plan of reorganization or otherwise, unless and until such successor formally adopts and executes this Agreement. The protections arising from this Agreement will not apply to any purchasers of all or substantially all of the assets of PartyGaming, unless such purchaser enters into a written agreement, on terms acceptable to this Office, agreeing in substance to undertake all of the obligations set forth in the "Continuing Obligation to Cooperate"

E. Lawrence Barcella, Jr., Esq.
Behnam Dayanim, Esq.
April 6, 2009
Page 2

section of this Agreement, set forth below.

Continuing Obligation To Cooperate

PartyGaming acknowledges and understands that the cooperation it has provided to date in connection with a criminal investigation by this Office, and its pledge of continuing cooperation, are important and material factors underlying this Office's decision to enter into this Agreement. Accordingly, PartyGaming agrees to cooperate fully and actively with the Office, the Federal Bureau of Investigation (the "FBI"), and any other agency of the government designated by the Office (including the FBI, the "Designated Agencies") regarding any matter relating to the Office's investigation about which PartyGaming has knowledge or information.

In this regard, it is understood that, in connection with any matter relating to PartyGaming's business and operations between 1997 and the date of the signing of this Agreement, PartyGaming: (a) shall truthfully and completely disclose all information with respect to the activities of PartyGaming, its officers and employees, and others concerning all such matters about which this Office inquires, which information can be used for any purpose, except as limited by the second paragraph of this Agreement; (b) shall cooperate fully with this Office and the Designated Agencies; (c) shall, at the Office's request, use its best efforts to assist this Office in any prosecution or investigation by providing logistical and technical support for any meeting, interview, grand jury proceeding, or any trial or other court proceeding; (d) shall at the Office's request, use its best efforts promptly to secure the attendance and truthful statements or testimony of any officer, agent, employee, or former officer, agent or employee, at any meeting or interview or before the grand jury or at any trial or other court proceeding; (e) shall use its best efforts promptly to provide to this Office, upon request, any document, record, or other tangible evidence relating to this Office's continuing investigation in this and related internet gambling matters, including concerning any payment processing methods about which this Office or one or more of the Designated Agencies may inquire, and will assemble and organize documents, records, information, and other evidence in PartyGaming's possession, custody, or control as may be requested by the Office or the Designated Agencies; and (f) shall bring to this Office's attention all criminal conduct by and criminal investigations of PartyGaming or its employees that come to the attention of PartyGaming's board of directors or senior management, as well as any administrative proceeding, civil action or other proceeding brought by any governmental authority in which PartyGaming is a party, related to the operation or management of PartyGaming's business and excluding routine licensing-related proceedings in foreign jurisdictions. It is further understood that PartyGaming shall commit no crimes whatsoever. Moreover, any assistance that PartyGaming may provide to federal criminal investigators shall be pursuant to the specific instructions and control of this Office and designated investigators. PartyGaming's obligations under this paragraph shall continue until the later of (1) a period of three years from the date of the signing of this Agreement, (2) the date on which all

E. Lawrence Barcella, Jr., Esq.
Behnam Dayanim, Esq.
April 6, 2009
Page 3

prosecutions arising out of the conduct described in the opening paragraph of this Agreement are final, or (3) the date on which PartyGaming's forfeiture/disgorgement obligation, described below, is satisfied.

Forfeiture/Disgorgement Obligations

PartyGaming agrees that it will forfeit a total of \$105 million (the "Property") to the United States as part of this Agreement. PartyGaming agrees not to contest a civil forfeiture action filed against the Property and to make forfeiture payments to the United States pursuant to the following schedule: \$5 million payable no later than April 10, 2009; \$10 million no later than September 30, 2009; and thereafter payments of \$15 million on or before March 30, 2010; \$15 million on or before September 30, 2010; \$15 million on or before March 30, 2011; \$15 million on or before September 30, 2011; \$15 million on or before March 30, 2012; and \$15 million on or before September 30, 2012. Such payments shall be made by a certified check payable to the United States Marshals Service ("USMS") or wire transfer to an account designated by the USMS. PartyGaming agrees that it will not file a claim with the Court or otherwise contest any civil forfeiture action and will not assist a third party in asserting any claim against the Property. It is further understood that PartyGaming will not file or assist anyone in filing a petition for remission or mitigation with the Department of Justice concerning the Property.

Additional Obligations

It is understood that, should PartyGaming commit any crimes subsequent to the date of the signing of this Agreement or fail to comply with its forfeiture/disgorgement obligations as described above, or should it be determined that PartyGaming or any of its representatives have given false, incomplete, or misleading testimony or information, or has otherwise violated any provision of this Agreement, (a) PartyGaming shall thereafter be subject to prosecution for any federal offense of which this Office has knowledge, including perjury and obstruction of justice; (b) all statements made by PartyGaming's representatives to this Office, or one or more of the Designated Agencies, including but not limited to the appended Statement of Facts, and any testimony given by PartyGaming's representatives before a grand jury subsequent to the signing of this Agreement, and any leads from such statements or testimony, shall be admissible in evidence in any criminal proceeding brought against PartyGaming and relied upon as evidence to support any penalty imposed on PartyGaming; and (c) PartyGaming shall assert no claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or any leads therefrom should be suppressed. In addition, any such prosecution that is not time-barred by the applicable statute of limitations on the date of the execution of this Agreement may be commenced against PartyGaming, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement of such prosecution. It is the intent

E. Lawrence Barcella, Jr., Esq.
Behnam Dayanim, Esq.
April 6, 2009
Page 4

of this Agreement to waive all defenses based on the statute of limitations with respect to any prosecution that is not time-barred on the date that this Agreement is signed.

It is understood that PartyGaming acknowledges and accepts as accurate the facts set forth in the Statement of Facts attached as Exhibit A, which is incorporated by reference herein. PartyGaming hereby agrees to maintain, with respect to its operations, a permanent restriction preventing internet gambling services from being provided to customers in the United States in violation of the law of the United States or the law of any jurisdiction within the United States.

It is understood that this Agreement does not bind any federal, state, or local agencies, any licensing authorities, or any regulatory authorities. If requested by PartyGaming, this Office will, however, bring the cooperation and remedial actions of PartyGaming to the attention of other prosecuting and other investigative offices or other licensing or regulatory authorities.

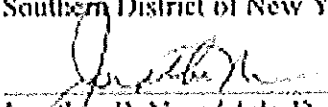
E. Lawrence Barcella, Jr., Esq.
Behnam Dayanim, Esq.
April 6, 2009
Page 5

With respect to this matter, this Agreement supersedes all prior understandings, promises and/or conditions between this Office and PartyGaming. No additional promises, agreements, and conditions have been entered into other than those set forth in this letter and none will be entered into unless in writing and signed by all parties.

Very truly yours,


LEV L. DASSIN
Acting United States Attorney
Southern District of New York

By:


Jonathan B. New / Arto Devlin-Brown
Assistant United States Attorneys


Guy Pettilo
Chief, Criminal Division

AGREED AND CONSENTED TO:


Pursuant to Authority Conveyed By
Resolution of the Board of Directors
of PartyGaming *RODNEY WILLIAM PERRY*

6 APRIL 2009
Date

APPROVED:

Behnam Dayanim, Esq.

6 April 2009
Date

STATEMENT OF FACTS

PartyGaming Plc acknowledges and accepts as accurate the facts set forth below in this Statement of Facts, which is incorporated by reference into the Agreement between PartyGaming Plc and the Office of the United States Attorney for the Southern District of New York, dated April 6, 2009 (the "Agreement"). This Statement of Facts shall be admissible in any proceeding brought against PartyGaming Plc and/or any of its subsidiaries (collectively, "PartyGaming" or "the Company") pursuant to the terms of the Agreement:

I. Corporate Structure

1. PartyGaming was founded in 1997 as an online casino known as Starluck Casino, taking its present name, PartyGaming, in 2005. The Company was incorporated in Gibraltar in April 2004.
2. On June 27, 2005, PartyGaming offered its shares of common stock to certain investors (the "IPO") and was admitted to trade on the London Stock Exchange ("LSE"), under the symbol "PRTY." The founders of the Company, and its principal shareholders at the time of the IPO, retained majority ownership of the outstanding shares of common stock of the Company, to wit, approximately 70.4 percent collectively of the Company's outstanding shares of common stock immediately after the offering.

II. PartyGaming's Business

3. PartyGaming offers a variety of real-money and free-play games through a number of "Party"-branded or secondary branded websites. From 1997 until October 13, 2006, PartyGaming offered internet gaming to players in the United States, including real-money poker and casino gaming.
4. PartyGaming launched real-money poker games in 2000. At all times prior to October 13, 2006, most of PartyGaming's customers were located in the United States, including in the Southern District of New York. At the time that the Company began trading on the LSE, approximately 88% of its customers were located in the United States. The Company marketed its poker and casino games to U.S. customers, including through television advertisements and billboards.
5. At no time during which PartyGaming offered real-money gambling to persons in the United States did PartyGaming apply for a license in, or receive a license from, any jurisdiction in the United States.
6. PartyGaming continued to offer online gambling to U.S. customers until October 13, 2006, the day the Unlawful Internet Gambling Enforcement Act (the "UIGEA") was signed and became law, at which time the Company voluntarily exited the U.S. market.

III. Payment Processing

7. Although PartyGaming had no physical presence in the United States, in order to enable U.S. customers to fund accounts at PartyGaming, it contracted through its subsidiaries with various financial services companies that either operated in the United States themselves or had relationships with other companies that operated in the United States. Once these accounts were funded, PartyGaming customers could use funds in the accounts to gamble in the poker and casino games offered by the Company.
8. Prior to 2001, most of PartyGaming's customers in the United States funded their PartyGaming accounts by making credit card payments. In order to process credit card transactions, PartyGaming maintained accounts with banks, known as "acquiring banks," which initiated charges over credit card payment platforms against the credit card accounts of U.S. customers. In 2001, however, the credit card payment platforms introduced regulations requiring acquiring banks -- including those serving PartyGaming -- to apply a particular transaction code, code "7995," to internet gambling transactions. This change negatively affected PartyGaming's business because certain U.S. "issuing banks" (*i.e.* the banks that issue credit cards to customers) refused to authorize 7995-coded ecommerce transactions. The number of U.S. issuing banks declining 7995 ecommerce transactions increased significantly over time.
9. Beginning in 2001, PartyGaming began using various methods to process U.S. generated internet gambling transactions without coding them as 7995 transactions. One such method involved the use of third parties -- known as payment services providers or PSPs -- who misrepresented the nature of internet gambling transactions to the acquiring bank so that the acquiring bank would apply a non-7995 code to the transactions. Another method involved U.S. customers using their credit cards to purchase "virtual" credit card accounts and "phone cards." Once funded, the customers could and did use their "virtual" credit card and phone card accounts to transfer money to their PartyGaming accounts, without the transaction being coded as a 7995 transaction. While the "phone card" could technically be used to place phone calls, it was rarely used for that purpose. The Company also worked through an intermediary entity established to service the Company's processing needs to develop relationships with U.S.-based ACH (or Automated Clearing House) processors. The ACH processors provided a service through which U.S. customers could transfer money through "electronic checks" from their own U.S.-based bank accounts to PartyGaming. The owner of the intermediary entity also operated a franchise of an international money remitting company in Gibraltar, that accepted payments from U.S. customers nominally addressed to particular individuals in Gibraltar that were in fact simply transferred to the customer's account at PartyGaming.

10. Likewise, PartyGaming also masked payments to U.S. customers who sought to withdraw winnings from their PartyGaming accounts by engaging an intermediary to open bank accounts in the United States, that were funded by PartyGaming, under the name "Advanced Marketing Solutions." The intermediary mailed checks to U.S. customers from within the United States under the name "Advanced Marketing Solutions."

IV. Violations of U.S. Law

11. PartyGaming stated in its 2005 IPO prospectus that "[t]here is uncertainty as to the legality of online gaming in most countries and in many countries, including the United States, the Group's [PartyGaming's] activities are considered to be illegal by relevant authorities."
12. The conduct described above in paragraphs 3 to 4 and 9 to 10 violated certain U.S. criminal laws, including 18 U.S.C. § 1955 and 18 U.S.C. §§ 1343 and 1344, respectively.

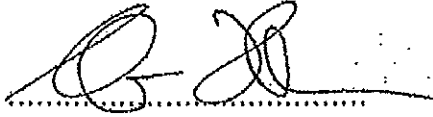
EXTRACT FROM THE BOARD MINUTES

Extract from the minutes of a meeting (the *Meeting*) of the Board of Directors of PartyGaming Plc held at Regal House, Queensway, Gibraltar on 6 April 2009 at 4.00 p.m.

The following Resolution was passed at the Meeting:

"THAT the proposed non-prosecution agreement, including the statement of facts, (the *Agreement*) between the Company and the United States Attorney's Office for the Southern District of New York, on the terms presented to the meeting, is in the best interests of the Company and the terms of the Agreement be and are hereby approved, and any one of the Directors be and is hereby authorised to execute the Agreement on behalf of the Company;"

Confirmed as a correct extract by the Company Secretary

A handwritten signature in black ink, appearing to be 'R. Hoskin', written over a horizontal dotted line.

Robert Hoskin
Company Officer



*United States Attorney
Southern District of New York*

FOR IMMEDIATE RELEASE
April 7, 2009

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INTERNET GAMBLING COMPANY PARTYGAMING PLC
ENTERS NON-PROSECUTION AGREEMENT WITH
U.S. AND WILL FORFEIT \$105 MILLION

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, announced today that the United States Attorney's Office for the Southern District of New York (the "Office") has entered into a Non-Prosecution Agreement with PartyGaming PLC ("PartyGaming"), an Internet gambling company incorporated in Gibraltar and publicly traded on the London Stock Exchange under the ticker symbol PRTY. As part of the Non-Prosecution Agreement, PartyGaming agreed to forfeit a total of \$105 million, representing proceeds of PartyGaming's U.S. Internet gambling operations, to be paid over a period of three years.

PartyGaming offers a variety of web-based real-money and free-play games including, for example, real-money poker and casino gambling. However, Internet real-money gambling is not legal in the U.S. Nonetheless, PartyGaming offered Internet gaming to players in the U.S. from 1997 until October 13, 2006. Indeed, most of PartyGaming's customers during that time were located in the U.S., and at the time the Company began trading on the London Stock Exchange in 2005, U.S. players constituted approximately 88% of PartyGaming's customer base. Moreover, beginning in 2001, PartyGaming employed a variety of methods to misrepresent the nature of its customers' transactions to U.S. credit card issuers who did not permit their credit cards to be used for Internet gambling. PartyGaming also took steps to disguise payments of winnings to U.S. customers. In its 2005 IPO prospectus, PartyGaming recognized that "[t]here is uncertainty as to the legality of online gaming in most countries and in many countries, including the U.S., the Group's [PartyGaming's] activities are considered to be illegal by relevant authorities." PartyGaming has now acknowledged that this conduct did in fact violate certain U.S. criminal laws, including sections 1955 (illegal gambling), 1343 (fraud by wire communications), and 1344 (bank fraud) of Title 18 of the United States Code. PartyGaming

has been cooperating with this Office's ongoing investigation of illegal Internet gambling since Spring 2007.

Under the terms of the Non-Prosecution Agreement, this Office has agreed that, except for federal criminal tax violations, as to which this Office does not have decision-making authority, this Office will not criminally prosecute PartyGaming and its subsidiaries for any crimes related to PartyGaming's Internet gambling business with customers in the U.S. from 1997 through and including 2006. PartyGaming in return has promised to continue to cooperate in this Office's investigation; to maintain a permanent restriction preventing Internet gambling services from being provided to customers in the U.S. in violation of the law of the United States or of any jurisdiction within the U.S.; and will forfeit \$105 million, representing proceeds of PartyGaming's U.S. Internet gambling operations. The forfeiture is payable over three years.

Mr. DASSIN said that the decision to enter into a Non-Prosecution Agreement was made after weighing the factors set forth in the Department of Justice's Principles of Federal Prosecutions of Business Organizations, including: PartyGaming's early and full cooperation with the Government's investigation; changes in PartyGaming's management; PartyGaming's termination of all real-money Internet gambling services for U.S. customers in October 2006; PartyGaming's cessation of its deceptive credit-card processing practices; the forfeiture agreement; and the negative effect that charges against PartyGaming would have on the Company's overseas business.

As previously announced, on December 16, 2008, ANURAG DIKSHIT, a founder and former officer and director of PartyGaming, pleaded guilty before United States District Judge JED S. RAKOFF to one count of using the wires to transmit bets and wagering information in interstate commerce. DIKSHIT, 37, faces a maximum sentence of 2 years in prison and a fine of \$250,000, or twice the gross gain or loss from the offense. DIKSHIT also admitted to forfeiture allegations requiring him to forfeit \$300 million to the United States. DIKSHIT is scheduled to be sentenced by Judge RAKOFF on September 30, 2010.

Mr. DASSIN praised the investigative work of the Federal Bureau of Investigation. He added that the investigation into illegal Internet gambling is continuing.

Assistant United States Attorneys JONATHAN B. NEW and ARLO DEVLIN-BROWN are in charge of this investigation.

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