



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"

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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

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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

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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.

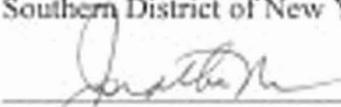
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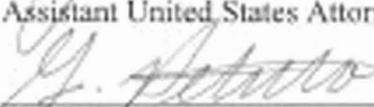
With respect to this matter, this Agreement supersedes all prior understandings, promises and/or conditions between this Office and PartyGaming. No additional promises, agreements, and conditions have been entered into other than those set forth in this letter and none will be entered into unless in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

Very truly yours,

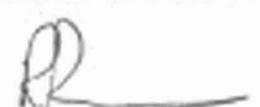
LEV L. DASSIN
Acting United States Attorney
Southern District of New York

By:


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


Guy Pettillo
Chief, Criminal Division

AGREED AND CONSENTED TO:


Pursuant to Authority Conveyed By
Resolution of the Board of Directors
of PartyGaming

Roderick 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.

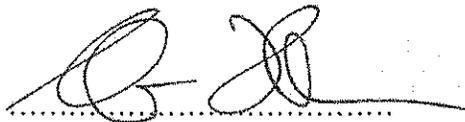
EXTRACT FROM THE BOARD MINUTES

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