THIS DOCUMENT IS BEING SUBMITTED PURSUANT TO RULE 901(D) OF REGULATION S-T

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Schedule 13D
(Rule 13d-101)

UNDER THE SECURITIES EXCHANGE ACT OF 1934

SKY GAMES INTERNATIONAL LTD.
(Name of Issuer)

COMMON STOCK, PAR VALUE U.S.$.01
(Title of Class of Securities)

G81772108
(CUSIP Number)

Harrah's Interactive Investment Company
1023 Cherry Road
Memphis, Tennessee 38117
Attn: John M. Boushy
(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

June 17, 1997
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this Schedule because of Rule 13d-1(b)(3) or (4), check the following box. [_]

Note. Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1 (a) for other parties to whom copies are to be sent.

(Continued on following pages)

1. NAME OF REPORTING PERSON:

Harrah's Interactive Investment Company

2. Check the Appropriate Box if a Member of a Group:

(a) [_]

(b) [X]

3. SEC USE ONLY

4. Source of Funds: WC

5. Check box if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e):

[_]

6. Citizenship or Place of Organization: NEVADA

Number of Shares Beneficially Owned By Each Reporting Person With	7. Sole Voting Power: 6,886,915
	8. Shared Voting Power: 0
	9. Sole Dispositive Power: 6,886,915
	10. Shared Dispositive Power: 0

11. Aggregate Amount Beneficially Owned by Each Reporting Person: 6,886,915

12. Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares:

[_]

13. Percent of Class Represented by Amount in Row (11): 32.23%

14. Type of Reporting Person: CO

1. Name of Reporting Person:

   Harrah's Operating Company, Inc.

2. Check the Appropriate Box if a Member of a Group:
   (a) [_]
   (b) [X]

3. SEC Use Only

4. Source of Funds: WC

5. Check box if Disclosure of Legal Proceedings is Required Pursuant to Items 2(e) or 2(f): [_]

6. Citizenship or Place of Organization: Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	
7.	Sole Voting Power: 0
8.	Shared Voting Power: 6,886,915(1)
9.	Sole Dispositive Power: 0
10.	Shared Dispositive Power: 6,886,915(1)

11. Aggregate Amount Beneficially Owned by Each Reporting Person: 6,886,915(1)

12. Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares: [_]

13. Percent of Class Represented by Amount in Row (11) 32.23% [_]

14. Type of Reporting Person: CO

/1/ Solely in its capacity as the sole stockholder of Harrah's Interactive Investment Company, a Nevada Corporation.

1. Name of Reporting Person:

Harrah's Entertainment, Inc.

2. Check the Appropriate Box if a Member of a Group:
(a) [_]
(b) [X]

3. SEC Use Only

4. Source of Funds: WC

5. Check box if Disclosure of Legal Proceedings is Required Pursuant to Items 2(e) or 2(f):
[_]

6. Citizenship or Place of Organization: Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7.	Sole Voting Power: 0
	8.	Shared Voting Power: 6,886,915(1)
	9.	Sole Dispositive Power: 0
	10.	Shared Dispositive Power: 6,886,915(1)

11. Aggregate Amount Beneficially Owned By Each Reporting Person: 6,886,915(1)

12. Check Box if the Aggregate Amount in Row (11) Excludes Certain Shares:
[_]

13. Percent of Class Represented by Amount in Row (11): 32.23%

14. Type of Reporting Person: CO

(1) Solely in its capacity as the sole stockholder of Harrah's Operating Company, a Nevada Corporation.

Item 1. Securities and Issuer.

This Statement relates to the Common Stock, par value U.S.$.01 per share (the "Shares"), of Interactive Entertainment Limited, a Bermuda exempted company (the "Company"). The principal executive offices of the Company are located at 845 Crossover Lane, Suite D-215, Memphis, Tennessee 38117.

Item 2. Identity and Background.

(a) The undersigned, Harrah's Interactive Investment Company, a Nevada corporation("HIIC"), and Harrah's Operating Company, Inc.("HOC"), a wholly-owned subsidiary of Harrah's Entertainment Inc., a Nevada corporation ("HEI"), hereby file this Statement on Schedule 13D. The foregoing persons and entities are sometimes collectively referred to herein as the "Reporting Persons". Pursuant to Rule 13d-3(d)(1)(i) promulgated under the Securities Exchange Act of 1934, as amended (the "Act"), the Reporting Persons acquired beneficial ownership of the Shares reported herein on June 17, 1997 pursuant to that certain Agreement and Plan of Merger and Amalgamation, dated as of May 13, 1997 (the "Amalgamation Agreement"), among the Company, SGI Holding Corporation Limited, a Bermuda exempted company ("SGIHC"), Interactive Entertainment Limited, a Bermuda exempted company ("IEL"), and HIIC, and pursuant to that certain Funding Agreement, dated May 13, 1997, among the Company, SGIHC, IEL and HIIC (the "Funding Agreement").

(b)(c) HIIC is an Nevada Corporation whose principal business is that of investment in the interactive gaming and entertainment industry. All of the outstanding shares of common stock of HIIC are owned by HOC. All of the outstanding shares of common stock of HOC are owned by HEI. The principal business address (which also serves as the principal office) of each of HIIC, HOC and HEI is 1023 Cherry Road, Memphis, Tennessee 38117.

Pursuant to Instruction C to Schedule 13D under the Act, the directors and executive officers of HIIC, HOC and HEI and their respective business addresses and principal occupations are listed below. There are currently no vacancies on the Board of Directors of HIIC, HOC and HEI.

HIIC

Directors	Address	Occupation
Colin V. Reed	1023 Cherry Road Memphis, TN 38117	Director
Philip G. Satre	1023 Cherry Road Memphis, TN 38117	Director

Executive Officers	Address	Occupation
Philip G. Satre	1023 Cherry Road Memphis, TN 38117	President
Colin V. Reed	1023 Cherry Road Memphis, TN 38117	Executive Vice President/ Treasurer

Executive Officers	Address	Occupation
John M. Boushy	1023 Cherry Road Memphis, TN 38117	Senior Vice President
John W. McConomy	1023 Cherry Road Memphis, TN 38117	Vice President/Secretary

HOC

Directors	Address	Occupation
Philip G. Satre	1023 Cherry Road Memphis, TN 38117	Director
Colin V. Reed	1023 Cherry Road Memphis, TN 38117	Director

Executive Officers	Address	Occupation
Philip G. Satre	1023 Cherry Road Memphis, TN 38117	Chairman of the Board, President and Chief Executive Officer
Colin V. Reed	1023 Cherry Road Memphis, TN 38117	Executive Vice President and Chief Financial Officer
John M. Boushy	1023 Cherry Road Memphis, TN 38117	Senior Vice President
Bradford W. Morgan	1023 Cherry Road Memphis, TN 38117	Senior Vice President
Ben C. Petemell	1023 Cherry Road Memphis, TN 38117	Senior Vice President
E. O. Robinson, Jr.	1023 Cherry Road Memphis, TN 38117	Senior Vice President
Charles L. Atwood	1023 Cherry Road Memphis, TN 38117	Vice President and Treasurer
Neil F. Barnhart	1023 Cherry Road Memphis, TN 38117	Vice President
Jil A. Blumberg	1023 Cherry Road Memphis, TN 38117	Vice President
Ralph J. Berry	1023 Cherry Road Memphis, TN 38117	Vice President

Executive Officers	Address	Occupation
Martin P. Boscaccy	1023 Cherry Road Memphis, TN 38117	Vice President
Gary L. Burhop	1023 Cherry Road Memphis, TN 38117	Vice President
David A. Hicks	1023 Cherry Road Memphis, TN 38117	Vice President
Reginald A. Mallamo	1023 Cherry Road Memphis, TN 38117	Vice President
J. W. McAllister	1023 Cherry Road Memphis, TN 38117	Vice President
John W. McConomy	1023 Cherry Road Memphis, TN 38117	Vice President
Michael K. Morgan	1023 Cherry Road Memphis, TN 38117	Vice President
Thomas M. Morgan	1023 Cherry Road Memphis, TN 38117	Vice President
Michael N. Regan	1023 Cherry Road Memphis, TN 38117	Vice President and Controller
Andrew J. Revella	1023 Cherry Road Memphis, TN 38117	Vice President
Bruce C. Rowe	1023 Cherry Road Memphis, TN 38117	Vice President
Karen Von Der Bruegge	1023 Cherry Road Memphis, TN 38117	Vice President
Dee A. Wallace	1023 Cherry Road Memphis, TN 38117	Vice President
Rebecca W. Ballou	1023 Cherry Road Memphis, TN 38117	Secretary

HEI

Directors	Address	Occupation
James L. Barksdale	501 East Middlefield Road Mountain View, CA 94043	Director
Susan Clark-Johnson	955 Kuenzli Reno, NV 89520	Director

Directors	Address	Occupation
James B. Farley	Villa D'Este 2665 North Ocean Blvd. Delray Beach, FL 33483	Director
Joe M. Henson	3625 Island Road Palm Beach Gardens, FL 33410	Director
Ralph Horn	165 Madison Avenue, Third Floor Memphis, TN 38103	Director
R. Brad Martin	5810 Shelby Oaks Drive Memphis, TN 38134	Director
Walter J. Salmon	Harvard University Soldiers Field Boston, MA 02163	Director
Philip G. Satre	1023 Cherry Road Memphis, TN 38117	Director
Boake A. Sells	3105 Topping Lane Hunting Valley, OH 44022	Director
Eddie N. Williams	1090 Vermont Ave., N.W. Suite 1100 Washington, D.C. 20005	Director

Executive Officers	Address	Occupation
Philip G. Satre	1023 Cherry Road Memphis, TN 38117	Chairman of the Board, President and Chief Executive Officer
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Karen Von Der Bruegge	1023 Cherry Road Memphis, TN 38117	Vice President
Dee A. Wallace	1023 Cherry Road Memphis, TN 38117	Vice President
Rebecca W. Ballou	1023 Cherry Road Memphis, TN 38117	Secretary

(d) None of the entities or persons identified in this Item 2 has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) None of the entities or persons identified in this Item 2 has during the last five years been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) Except for Colin V. Reed, all of the persons identified in this Item 2 are citizens of the United States of America.

Item 3. Source and Amount of Funds or Other Consideration.

5,879,040 of the Shares reported herein were received by HIIC in exchange for its shares of IEL pursuant to the Amalgamation Agreement. 1,007,875 of the Shares reported herein were received by HIIC in conversion of $1,007,875 of debt (including accrued interest) owed by IEL to HIIC, pursuant to the Funding Agreement. The source of the funds used to purchase the shares of IEL and the source of the funds used to make the loan of $1,000,000 pursuant to the Funding Agreement consisted solely of working capital of HIIC.

Item 4. Purpose of Transaction.

The Shares to which this statement relates have been acquired for investment purposes. It is Harrah's Interactive Investment Company's intent to evaluate its investment in the Company and to increase or decrease its shareholdings as circumstances require.

Pursuant to the Amalgamation Agreement, IEL amalgamated with and into SGIHC and immediately thereafter SGIHC amalgamated with and into Sky Games. Subsequent to the amalgamations, the Company changed its name to "Interactive Entertainment Limited." Pursuant to the Amalgamation Agreement, the issued and outstanding shares of common stock of IEL held by HIIC were converted into 5,879,040 shares of Common Stock. In the event that the Class A Preference Shares of Sky Games to be issued to B/E Aerospace, Inc. are converted, in whole or in part into Common Stock, the number of shares of Common Stock issued to HIIC in connection with the Amalgamation Agreement will be increased to adjust for any such issuance. Upon consummation of the amalgamation of IEL with and into SGIHC, the $1,007,875 outstanding under the Funding Agreement, and related agreements, were automatically converted into 1,007,875 shares of Common Stock. Had the outstanding amount under the Funding Agreement been less than $1,000,000, HIIC would have had the option to purchase, within 90 days of the amalgamation of IEL with and into SGIHC, the balance of 1,000,000 shares at $1.00 per share. Under the Funding Agreement, the Company may require HIIC to purchase up to 650,000 shares of Common Stock at $1.00 per share. However, the Company has indicated on June 26 that it intends to exercise its right to have HIIC purchase the additional 650,000 shares of Common Stock at $1.00 per share.

In order to consummate the amalgamations, the bye-laws of the Company were amended at the Special General Meeting of the shareholders of the Company, held on June 16, 1997. The rights of the HIIC under the amended bye-laws of the Company vary depending on their aggregate ownership of voting shares on a Fully-Diluted Basis (as such term is defined in the amended bye-laws of the Company).

The bye-laws of the Company were amended to provide board representation rights, which apply to HIIC in accordance with specified percentages of equity ownership by HIIC. These board representation amendments provide that: (i) at any time at which HIIC, and/or an affiliate thereof, (the "HIIC Entities") own 10% or more of the voting shares of Sky Games on a Fully-Diluted Basis, the HIIC Entities shall be entitled to appoint a percentage

of directors (rounded up to the nearest 10%) which bears the same proportion to the size of the entire board as the number of voting shares held by the HIIC Entities bears to the total number of voting shares of the Company on a Fully-Diluted Basis (such directors hereinafter referred to as the "HIIC Appointees"), and the HIIC Entities would be entitled to proportionate representation on the Executive, Compensation and Audit Committees of the Board; (ii) at any time at which the HIIC Entities own 5% or more, but less than 10%, of the voting shares of the Company on a Fully-Diluted Basis, the HIIC Entities would be entitled to appoint one director to the board and one member of the Executive, Compensation and Audit Committees of the board; (iii) the Company may in a general meeting authorize the board to fill any vacancy on the board, other than a vacancy in the office of an HIIC Appointee; (iv) the size of the board shall be fixed at 10 members until the HIIC Entities' ownership interest falls below 5% of the voting shares of the Company on a Fully-Diluted Basis; (v) at such time as the HIIC Entities own less than 5% of the voting shares of the Company on a Fully-Diluted Basis the board shall consist of not less than 3 directors; (vi) at least 2 of the directors sitting on the board, other than the HIIC Appointees, shall be outside directors; and (vii) the Compensation Committee will be comprised of non-management directors.

The amendments also caused the bye-laws to provide that at any time that the HIIC Entities own 20% or more of the voting shares of the Company on a Fully-Diluted Basis, any of the following actions would require the approval of a majority of the HIIC Appointees as part of the necessary majority of the board of directors and the HIIC Entities' consent, as part of the necessary shareholder approval: (i) the amalgamation, merger or consolidation of the Company; and (ii) any amendment to the bye-laws of the Company which would have a material adverse effect on HIIC Entities' rights under the bye-laws including their right to board or committee representation or board or shareholder approval rights.

The bye-laws of the Company were also amended to provide for certain approval rights to the HIIC Entities as a shareholder of Company. Under the amended bye-laws, at any time that the HIIC Entities own 20% or more of the voting shares of the Company on a Fully-Diluted Basis, any of the following actions would require the HIIC Entities' consent, as part of the necessary shareholder approval: (i) the dissolution or winding up of the Company; and (ii) the appointment of the Company's independent auditors.

The bye-laws were further amended to provide that the Company is required to redeem, for cash at fair market value, the shares of any holder of the shares of capital stock of the Company (1) who, either individually or when taken together with any other holders of shares of the Company, is or would reasonably be expected to be determined by any gaming regulatory agency to be unsuitable, or has or would reasonably be expected to have an application for a gaming license or permit or other necessary regulatory approval rejected, or has or would reasonably be expected to have a previously issued gaming license or permit or other necessary regulatory approval rescinded, suspended, revoked, not renewed or not reinstated, as the case may be, whether or not any of the foregoing is or would reasonably be expected to be final and nonappealable, or (2) whose holding of shares, either individually or taken together with the holdings of others, could reasonably be expected to cause the Company (or any other company engaged in the gaming business in any jurisdiction if such holder of shares were a shareholder of that company) to be denied a license, permit or other necessary regulatory approval to engage in any aspect of the gaming business or the serving or sale of alcoholic beverages in connection with the operation of a gaming business (a "Disqualified Holder"). A Disqualified Holder's shares shall (i) be required to be redeemed whenever the HIIC Entities own 10% or more of the voting shares on a Fully-Diluted Basis and (ii) be subject to redemption by action of the board whenever the HIIC Entities own less than 10% of the voting shares on a Fully-Diluted Basis. Additionally, the bye-laws were amended to provide for the automatic disqualification of any director or officer of the Company who would be a Disqualified Holder if he were to own shares of the Company.

The Company has negotiated with B/E Aerospace, Inc. to convert its indebtedness in the amount approximate of U.S. $2.6 million (including accrued and unpaid interest) into approximately 2,600 Class A Preference Shares. In order to consummate this transaction and issue the Class A preference shares, the bye-Laws of the Company were amended at the Special Annual Meeting to permit the board to designate the rights attaching to the Class A Preference Shares.

In order to simplify the procedures for amending the bye-laws of Company, the bye-laws were amended to permit amendment to the amended bye-laws by a vote of a simple majority of the votes cast at a general meeting of the shareholders of Sky Games except for those provisions of the amended bye-laws setting forth the board or shareholder approval rights of the HIIC Entities. In order to effect certain agreements in connection with the cancellation of the 3,525,0000 shares of Common Stock held in escrow pursuant to an escrow agreement, dated May 27, 1992, among Montreal Trust Company of Canada, the Company (f/k/a Creator Capital Inc.) and certain shareholders of the Company, the bye-laws were amended to permit shareholders of the Company to issue an irrevocable proxy with respect to their holdings of Common Stock. Finally, in order to improve the bye-laws of the Company, the bye-laws were amended to correct certain technical errors contained therein.

Pursuant to the Amalgamation Agreement, HIIC and the Company have entered into additional agreements affecting control of the Company. As a condition to the consummation of the amalgamation of IEL and SGIHC, the parties to the Amalgamation Agreement entered into a Shareholder Rights Agreement (the "Shareholder Rights Agreement"). Pursuant to the Shareholder Rights Agreement, the Company has agreed that for so long as the HIIC Entities own 20% or more of the outstanding voting shares on a Fully-Diluted Basis, any of the following actions by the Company require the approval of the majority of the board of directors of the Company and HIIC Appointees: (i) the sale of all or any material portion of the assets of the Company together with its subsidiaries; (ii) the incurrence, renewal, prepayment or amendment of the terms of indebtedness the Amalgamated Company together with its subsidiaries in excess of $5 million in any one fiscal year; (iii) the Company or any of its subsidiaries entering into any material joint venture or partnership arrangement outside of its previously approved scope of business; (iv) any material acquisition of assets by the Company or any of its subsidiaries, including by lease or otherwise (other than by merger, consolidation or amalgamation) other than pursuant to a previously approved budget or plan, or the acquisition by the Company or any of its subsidiaries of the stock of another entity, in each case involving an acquisition valued at $5 million or more; (v) any material change in the nature of the business conducted by the Company or any of its subsidiaries; (vi) any material amendments to the Management Incentive Plan approved by the Company at the December 6, 1996 meeting of the board of directors (the "MIP") for 12 months following the amalgamation of IEL and SGIHC; (vii) any material changes in accounting policies; (viii) the adoption of any stock option plans for greater than 5% of the then outstanding Common Stock on a Fully-Diluted Basis, other than the MIP, in any one fiscal year; and (ix) the creation or adoption of any shareholder rights plan. Also pursuant to such agreement, for so long as the HIIC Entities own 10% or more of the outstanding voting shares on a Fully-Diluted Basis, as to (x) any change in or conduct of the Company's or any of its subsidiaries' business or proposed business (including, but not limited to, the terms of repurchase or redemption of any debt from any holder thereof if such holder would be a Disqualified Holder if such person held shares of the Company) that would constitute or result in, or (y) any action or inaction of or by the Company or any of its subsidiaries' which the HIIC Entities determine in their reasonable business judgment would result in, in the case of either (x) or (y), any actual or threatened disciplinary action or any actual or threatened regulatory sanctions with respect to or affecting the loss of, or the inability to obtain or failure to secure the reinstatement of, any registration, certification, license or other regulatory approval held by the HIIC Entities in any jurisdiction in which the HIIC Entities are actively conducting business or as to which any of them has received final approval or authorization to proceed, even on a preliminary basis, from its respective board of directors (or any appropriate committee established by such board of directors) of plans to conduct business (each such change, conduct, action or inaction a "Disqualifying Action"); provided, the reasonable business judgment to be exercised by the HIIC Entities in determining whether a Disqualifying Action has occurred or would result need not involve any consideration of the effect of the Disqualifying Action on the Company alone or together with its subsidiaries because the purpose of the protections afforded by the determination of a Disqualifying Action is for the benefit of the separate businesses and investments of the HIIC Entities.

Additionally, as a condition to the consummation of the amalgamation of IEL and SGIHC, HIIC and the Company have entered into a Registration and Preemptive Rights Agreement (the "Registration and Preemptive Rights Agreement"). Under such agreement, the HIIC Entities have two demand registration rights to cause the Company to register the Common Stock owned by the HIIC Entities, provided, that prior to June 30, 1998, no such demand registration could be brought for a number of shares in excess of one million shares unless the Company receives the

opinion of its investment banker that the trading price of the Common Stock would not fall by more than 25% for more than 15 consecutive trading days as a result of such sale, in which case a demand could be brought with respect to up to such number of shares of Common Stock as would not cause the market price to fall below such level. Each such offering shall be underwritten on a firm commitment basis by an underwriter chosen by the Company. The Company would also agree pursuant to such agreement that until the earlier of when the HIIC Entities own less than 5% of the outstanding voting shares of the Company on a Fully-Diluted Basis, the HIIC Entities have customary piggy-back rights to include their shares of Common Stock in registered offerings by the Company. The HIIC Entities bear the costs of their legal counsel and any underwriting discounts, commissions or allowances in connection with all sales pursuant to the foregoing, and the Company bears all other fees and expenses of such registrations. The HIIC Entities have the right to purchase securities offered by the Company for as long as the HIIC Entities own 20% or more of the outstanding Common Stock on a Fully-Diluted Basis at the same price and terms such securities are otherwise being offered which would include the certain outstanding convertible debentures and shares issuable upon conversion of such debentures. The HIIC Entities would also have the right for as long as the HIIC Entities own 20% or more of the outstanding voting shares on a Fully-Diluted Basis to participate on a proportionate basis in any non-pro rata stock repurchases or redemptions conducted by the Company. At any time that the HIIC Entities own less than 10% of the outstanding voting shares, on a Fully-Diluted Basis, the Company has the right to cause the HIIC Entities to sell their voting shares pursuant to a registered sale and the HIIC Entities have the right to cause the Company to file a registration statement to sell their voting shares in the event (a) of any change in or conduct of the business or proposed business of the Company or any of its subsidiaries or any other action or inaction of the Company or any of its subsidiaries which would constitute a Disqualifying Action or (b) the Company does not redeem a Disqualified Holder pursuant to the amended bye-laws, in each case at the Company's expense without being subject to the limitations on demand rights set forth above. Upon any conversion of any Class A Preference Shares issued to B/E Aerospace as part of the conversion of the approximately $2.6 million debt owed by the Company to B/E Aerospace, Inc., the Company shall issue to HIIC a number of shares of Common Stock at no charge to HIIC such that such number of shares plus 6,886,915 constitutes the same percentage of the outstanding Common Stock on a Fully-Diluted Basis as bears constituted of the outstanding Common Stock on a Fully-Diluted Basis prior to such issuance.

Except as described herein, the Reporting Persons have no plans or proposals with respect to the Company that relate to or would result in any of the actions specified in clauses (a) through (j) of Item 4 of Schedule 13D.

Item 5. Interests in Securities of the Issuer.

Based on information provided by the Company to HIIC and HOC, as of June 12, 1997, 21,358,445 shares of Common Stock were outstanding.

(a) HIIC beneficially owns 6,886,915 shares of Common Stock, which constitutes approximately 32.23% of the Shares outstanding as of the date of the distribution of such Shares. HOC, as the sole holder of the common stock of HIIC, and HEI, as the sole holder of the common stock of HOC, may be deemed to beneficially own all of such 6,886,915 shares of Common Stock.

(b) HIIC has the sole power to vote or direct the vote of and the sole power to dispose or direct the disposition of all of the 6,886,915 shares of Common Stock reported herein. HOC, as the sole holder of common stock of HIIC, and HEI, as the sole holder of the common stock of HOC, may be deemed to share voting and dispositive power with respect to all of such shares of Common Stock.

(c) Except as set forth above, the Reporting Persons do not beneficially own any Shares and, except as set forth herein, have effected no transactions in Shares during the preceding 60 days.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Except as set forth in Item 4 above, the Reporting Persons do not have any contract, arrangement, understanding or relationship (legal or otherwise) with any person with respect to any securities of the Company, including but not limited to transfer or voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of fits, division of profits or loss, or the giving or withholding of proxies.

Item 7. Material to be filed as Exhibits.

Exhibit A. Agreement pursuant to Rule 13d-1(f)(1)(iii)

Exhibit 1 Amalgamation Agreement

Exhibit 2 Shareholder Rights Agreement

Exhibit 3 Registration and Preemptive Rights Agreement

Exhibit 4 Funding Agreement

Exhibit 5 Warrant Agreement

Exhibit 6 Convertible Preferred Promissory Note

Exhibit 7 Security Agreement

Exhibit 8 Guaranty

Exhibit 9 Pledge and Security Agreement

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: June 26, 1997

HARRAH'S INTERACTIVE INVESTMENT COMPANY

By: /s/ John M. Boushy

Name: John M. Boushy
Title: Senior Vice President

HARRAH'S OPERATING COMPANY, INC.

By: /s/ John M. Boushy

Name: John M. Boushy
Title: Senior Vice President

HARRAH'S ENTERTAINMENT, INC.

By: /s/ John M. Boushy

Name: John M. Boushy
Title: Senior Vice President

EXHIBIT INDEX

Exhibit No.	Document Description	Page No.
Exhibit A.	Agreement pursuant to Rule 13d-1(f)(1)(iii)	
Exhibit 1	Amalgamation Agreement	
Exhibit 2	Shareholder Rights Agreement	
Exhibit 3	Registration and Preemptive Rights Agreement	
Exhibit 4	Funding Agreement	
Exhibit 5	Warrant Agreement	
Exhibit 6	Convertible Secured Promissory Note	
Exhibit 7	Security Agreement	
Exhibit 8	Guaranty	
Exhibit 9	Pledge and Security Agreement	

EXHIBIT 1

[EXECUTION COPY]

PLAN AND AGREEMENT OF MERGER AND AMALGAMATION

PLAN AND AGREEMENT OF MERGER AND AMALGAMATION dated as of May 13, 1997 (this "Agreement") among Sky Games International Ltd., a Bermuda exempted company ("Parent"), SGI Holding Corporation Limited, a Bermuda exempted company and a wholly-owned subsidiary of Parent ("Sub"), and Interactive Entertainment Limited, a Bermuda exempted company ("IEL") (Sub and IEL being hereinafter collectively referred to as the "Amalgamating Companies") and Harrah's Interactive Investment Company, a Nevada corporation ("HIIC").

W I T N E S S E T H:

WHEREAS, Parent, Sub, IEL and HIIC desire IEL to amalgamate with and into Sub (the "Amalgamation"), upon the terms and subject to the conditions herein set forth, whereby each issued and outstanding share of common stock, U.S.$1.00 par value per share, of IEL ("IEL Common Shares"), not owned directly or indirectly by Sub or Parent, will be converted into shares of common stock, Cdn.$.01 par value, of Parent ("Parent Common Shares");

WHEREAS, the Board of Directors of Parent has determined that the Amalgamation is in furtherance of and consistent with its long-term business strategies and is fair to and in the best interests of its shareholders;

WHEREAS, the respective Boards of Directors of Parent and Sub have approved and declared advisable the Amalgamation;

WHEREAS, Sub has approved as a shareholder of IEL and Parent has approved as the sole shareholder of Sub this Agreement and the Amalgamation;

NOW, THEREFORE, in consideration of the premises, representations, warranties and agreements herein contained, the parties hereto agree as follows:

ARTICLE I

THE AMALGAMATION

Section 1.1 The Amalgamation. Upon the terms and subject to the conditions herein set forth, and in accordance with The Companies Act 1981 ("CA"), the Amalgamating Companies shall make the appropriate filings with the Registrar of Companies in Bermuda and IEL shall be amalgamated with and into Sub at the Effective Time (as hereinafter defined). Following the Amalgamation, the separate corporate existence of IEL shall cease and IEL and Sub shall continue as the amalgamated company (the "Amalgamated Company") and shall continue to exist as a company incorporated and governed by the laws of Bermuda.

Section 1.2 Effective Time. The Amalgamation shall be effective on the date shown in the Certificate of Amalgamation issued by the Registrar of Companies in Bermuda (the "Effective Time").

Section 1.3 Effects of the Amalgamation. At the Effective Time, the effect of the Amalgamation shall be as provided in the applicable provisions of the CA and as set forth in this Agreement. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, except as otherwise provided herein:

(a) the amalgamation of the Amalgamating Companies and their continuance as one company shall become effective;

(b) all of the property, rights, privileges, powers and franchises of Sub and IEL shall vest in the Amalgamated Company;

(c) all debts, liabilities and duties of Sub and IEL shall become the debts, liabilities and duties of the Amalgamated Company;

(d) any existing cause of action, claim or liability to prosecution shall be unaffected;

(e) any civil, criminal or administrative action or proceeding by or against an Amalgamating Company may be continued to be prosecuted by or against the Amalgamated Company; and

(f) any conviction against, or ruling, order or judgment in favor of or against, an Amalgamating Company may be enforced by or against the Amalgamated Company.

Section 1.4 Memorandum of Association; Bye-laws; Directors and Officers. (a) At the Effective Time, the Memorandum of Association of Sub, as in effect immediately prior to the Effective Time, shall be the Memorandum of Association of the Amalgamated Company until thereafter changed or amended as provided therein or by applicable law.

(b) The Bye-Laws of Sub, as in effect immediately prior to the Effective Time, shall be the Bye-laws of the Amalgamated Company until thereafter changed or amended as provided therein or as provided by applicable law.

(c) The Board of Directors of the Amalgamated Company shall consist of not less than three (3) directors to be designated by Parent, who shall serve until their respective successors are duly elected and qualified. The names and addresses of each of the individuals to serve as directors of the Amalgamated Company are as follows:

(i) Gordon Stevenson, 1023 Cherry Road, Memphis, Tennessee 38117;
(ii) Laurence Geller, 10 South Wacker Drive, Suite 3500, Chicago, Illinois 60606; and
(iii) John Boushy, 1023 Cherry Road, Memphis, Tennessee 38117.

(d) The officers of IEL immediately prior to the Effective Time shall be the officers of the Amalgamated Company until their respective successors are duly elected and qualified.

Section 1.5 Conversion of Securities. As of the Effective Time, by virtue of the Amalgamation and without any action on the part of the shareholders of either of the Amalgamating Companies:

(a) All IEL Common Shares owned by Sub or Parent shall be cancelled without any repayment of capital in respect thereof and no capital stock of Parent or other consideration shall be delivered in exchange therefor.

(b) Each IEL Common Share issued and outstanding immediately prior to the Effective Time (other than shares to be cancelled in accordance with Section 1.5(a)) shall be converted into 5.879040 (such number being hereinafter referred to as the "Conversion Number") validly issued and fully paid shares of Parent Common Shares. All such IEL Common Shares, when so converted, shall no longer be outstanding and shall automatically be cancelled and retired without any repayment of capital in respect thereof; and each holder prior to the Effective Time of any such IEL Common Shares shall cease to have any rights with respect thereto, except the right to receive (i) certificates representing the shares of Parent Common Shares into which such IEL Common Shares have been converted and (ii) any dividends and other distributions in accordance with Section 1.7.

Section 1.6 Parent to Make Stock Certificates Available. (a) Exchange of Certificates. As soon as practicable after the Effective Time, Parent shall cause its Transfer Agent and Registrar (the "Transfer Agent") to issue to the holders of IEL Common Shares converted in the Amalgamation, certificates (the "Parent Certificates") representing the shares of Parent Common Shares issuable pursuant to Section 1.5(b) in exchange for the outstanding IEL Common Shares.

(b) Status of Company Certificates. Subject to the provisions of Section 1.7, each certificate which immediately prior to the Effective Time represented IEL Common Shares to be converted in the Amalgamation (the "IEL Certificates") shall, from and after the Effective Time and until surrendered in exchange for Parent Certificate(s) in accordance with this Section 1.6, be deemed for all purposes to represent the number of shares of Parent Common Shares into which such IEL Common Shares shall have been so converted. For purposes of this Section 1.6, Parent may rely conclusively on the shareholder records of IEL in determining the identity of, and the number of IEL Common Shares held by, each holder of an IEL Certificate at the Effective Time.

Section 1.7 Dividends; Transfer Taxes; Withholding. (a) No dividends or other distributions that are declared on or after the Effective Time on Parent Common Shares, or are payable to the holders of record thereof who became such on or after the Effective Time, shall be paid to any person entitled by reason of the Amalgamation to receive Parent Certificates representing Parent Common Shares until such person shall have surrendered its IEL Certificate(s) as provided in Section 1.6. Subject to applicable law, there shall be paid to each person receiving a Parent Certificate representing such shares of Parent Common Shares: (i) at the time of such surrender or as promptly as practicable thereafter, the amount of any dividends or other distributions theretofore paid with respect to the shares of Parent Common Shares represented by such Parent Certificate and having a record date on or after the Effective Time and a payment date prior to such surrender; and (ii) at the appropriate payment date or as promptly as practicable thereafter, the amount of any dividends or other distributions payable with respect to such shares of Parent Common Shares and having a record date on or after the Effective Time but prior to such surrender and a payment date on or subsequent to such surrender. In no event shall the person entitled to receive such dividends or other distributions be entitled to receive interest on such dividends or other distributions.

(b) If any Parent Certificate representing shares of Parent Common Shares is to be issued in a name other than that in which IEL Certificate surrendered in exchange therefor is registered, it shall be a condition of such exchange that the IEL Certificate so surrendered shall be properly endorsed and otherwise in proper form for transfer and that the person requesting such exchange shall pay to the Transfer Agent any transfer or other taxes required by reason of the issuance of such Parent Certificate in a name other than that of the registered holder of IEL Certificate so surrendered, or shall establish to the satisfaction of the Transfer Agent that such tax has been paid or is not applicable.

Section 1.8 No Further Ownership Rights in IEL Common Shares. All certificates representing Parent Common Shares delivered upon the surrender for exchange of any IEL Certificate in accordance with the terms hereof shall be deemed to have been delivered in full satisfaction of all rights pertaining to IEL Common Shares represented by such IEL Certificate.

Section 1.9 Closing of Company Transfer Books. At the Effective Time, the transfer books of IEL for IEL Common Shares shall be closed, and no transfer of IEL Common Shares shall thereafter be made. If, after the Effective Time, IEL Certificates are presented to the Amalgamated Company, they shall be cancelled and exchanged as provided in this Article I.

Section 1.10 Further Assurances. If, at any time after the Effective Time, the Amalgamated Company shall consider or be advised that any deeds, bills of sale, assignments or assurances or any other acts or things are necessary, desirable or proper (i) to vest, perfect or confirm, of record or otherwise, in the Amalgamated Company its right, title and interest in, to or under any of the rights, privileges, powers, franchises, properties or assets of either of the Amalgamating Companies or (ii) otherwise to carry out the purposes of this Agreement, the Amalgamated

Company and its proper officers and directors or their designees shall be authorized to execute and deliver, in the name and on behalf of either Amalgamating Company, all such deeds, bills of sale, assignments and assurances and to do, in the name and on behalf of either Amalgamating Company, all such other acts and things as may be necessary, desirable or proper to vest, perfect or confirm the Amalgamated Company's right, title and interest in, to and under any of the rights, privileges, powers, franchises, properties or assets of such Amalgamating Company and otherwise to carry out the purposes of this Agreement.

Section 1.11 Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall be deemed to take place at the offices of Altheimer & Gray, 10 South Wacker Drive, Suite 4000, Chicago, Illinois at 12:01 p.m., Central Daylight Savings Time, on the first business day on which each of the conditions set forth in Article VII shall have been (and continue to be) fulfilled or waived, or at such other time and place as Parent and HIIC may agree.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF PARENT AND SUB

Parent and Sub represent and warrant, jointly and severally, to HIIC as follows:

Section 2.1 Organization, Standing and Power. Each of Parent and Sub is an exempted company duly organized, validly existing and in good standing under the laws of Bermuda; and each of Parent and Sub has the requisite corporate power and authority to carry on its business as now being conducted. Each Subsidiary (as hereinafter defined) of Parent is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated and has the requisite corporate power and authority to carry on its business as now being conducted. Parent and each of its Subsidiaries are duly qualified to do business, and are in good standing, in each jurisdiction where the character of their properties owned or held under lease or the nature of their activities makes such qualification necessary, except where the failure to be so qualified would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect (as hereinafter defined) on Parent. Parent and its Subsidiaries are not subject to any material joint venture, joint operating or similar arrangement or any material shareholders agreement relating thereto other than the Shareholders Agreement among Sub, HIIC and IEL dated December 30, 1994 (the "Shareholders Agreement") and the Management Agreement between IEL and Harrah's Interactive Entertainment Company, a Nevada corporation ("HIEC"), dated December 30, 1994 (the "Management Agreement"). For purposes of this Agreement: (i) "Material Adverse Change" or "Material Adverse Effect" means, when used with respect to Parent or HIIC, as the case may be, any change or effect that is materially adverse to the business, properties, assets, liabilities, condition (financial or otherwise) or results of operations of Parent and its Subsidiaries and IEL taken as a whole, or HIIC and its Subsidiaries taken as a whole, as the case may be, except, in the case of a Material Adverse Change, for any change resulting from conditions or circumstances generally affecting the industry as a whole in which Parent or HIIC, as the case may be, operates; and (ii) "Subsidiary" means any corporation, partnership, joint venture or other legal entity of which Parent or HIIC, as the case may be (either alone or through or together with any other of its Subsidiaries), owns, directly or indirectly, fifty percent (50%) or more of the capital stock or other equity interests the holders of which are generally entitled to vote with respect to the election of directors or other managing authority and/or other matters to be voted on in such corporation, partnership, joint venture or other legal entity, other than, with respect to Parent and Sub, IEL and its Subsidiary.

Section 2.2 Capital Structure. As of the date hereof, the authorized capital stock of Parent consists of: 50,000,000 shares of Parent Common Shares. At the close of business on April 21, 1997, 13,304,405 shares of Parent Common Shares were issued and outstanding, all of which were validly issued and are fully paid and are free of preemptive rights. All of the shares of Parent Common Shares issuable in exchange for IEL Common Shares at the Effective Time in accordance with this Agreement will be, when so issued, duly authorized, validly issued and fully paid. As of the date of this Agreement, other than outstanding options for 1,190,000 shares of Parent Common

Shares; the authority to issue options for 4,070,105 additional shares of Parent Common Shares; outstanding share purchase warrants for the purchase of 308,528 shares of Parent Common Shares; the rights of HIIC pursuant to that certain convertible secured promissory note and that certain warrant issued to HIIC in connection with the Funding Agreement among Parent, Sub, IEL and HIIC dated May 13, 1997 (the "Funding Agreement"); and the agreement to issue, subject to necessary shareholder approvals to create a class of preference shares and authorize such issuance, up to 3,000 shares of convertible redeemable preference shares of Parent to B/E Aerospace, Inc., a Delaware corporation ("B/EA"), which are convertible into Parent Common Shares at a percentage of the trading price of the Parent Common Shares as previously disclosed to HIIC (the "B/E Conversion") (collectively, the "Parent Stock Rights"), there are no options, warrants, calls, rights or agreements to which Parent or any of its Subsidiaries is a party or by which any of them is bound obligating Parent or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock of Parent or any such Subsidiary or obligating Parent or any such Subsidiary to grant, extend or enter into any such option, warrant, call, right or agreement. Each outstanding share of capital stock of each Subsidiary of Parent is duly authorized, validly issued, fully paid and nonassessable and each such share is beneficially owned by Parent or another Subsidiary of Parent, free and clear of all security interests, liens, claims, pledges, options, rights of first refusal, agreements, limitations on voting rights, charges and other encumbrances of any nature whatsoever, other than those interests granted to HIIC pursuant to the Funding Agreement. All of Sub's outstanding shares of capital stock are owned directly by Parent. Sub owns four million (4,000,000) shares of IEL Common Shares in the aggregate represented by IEL Certificate numbers 3, 8, 10, 12, 14, 16, 18, 20, 22, 33, 34, 37, 38, 39 and 40 issued in the name of Sub and neither Parent nor any of its Subsidiaries owns any other IEL Common Shares or, except pursuant to the Shareholders Agreement, any option, warrant, call, right or agreement to receive any other IEL Common Shares.

Section 2.3 Authority. The Board of Directors of Parent has declared as advisable and fair to and in the best interests of the shareholders of Parent (and, in the case of clauses (b) and (c) below, has resolved to recommend to such shareholders for approval) (a) the Amalgamation and the transactions to be effected thereby, (b) amendments to the Bye-Laws of Parent set forth on Exhibit A attached hereto (collectively, the "Bye-Law Amendments") and (c) the resolutions to be adopted by the shareholders of Parent set forth on Exhibit B attached hereto (the "Resolutions"). The Boards of Directors of Parent and Sub have each approved this Agreement and all agreements to be entered into by Parent or Sub in connection therewith (collectively, "Parent Ancillary Agreements"). Parent has approved the Amalgamation and this Agreement as the sole shareholder of Sub. The Board of Directors of Sub has declared the Amalgamation advisable, and Sub has approved the Amalgamation and this Agreement as a shareholder of IEL. Parent has all requisite power and authority to enter into this Agreement and the Parent Ancillary Agreements to which it is a party and (subject to (x) approval of the Resolutions by a majority of the votes cast at the Parent Shareholder Meeting (as hereinafter defined) by the holders of Parent Common Shares, and (y) adoption of the Bye-Law Amendments by seventy-five percent (75%) of the votes cast at the Parent Shareholder Meeting by the holders of Parent Common Shares) to consummate the transactions contemplated hereby and thereby. Sub has all requisite power and authority to enter into this Agreement and the Parent Ancillary Agreements to which it is a party and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the Parent Ancillary Agreements by Parent and Sub and the consummation by Parent and Sub of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of Parent and Sub, subject, in the case of this Agreement, to (x) approval of the Resolutions by a majority of the votes cast at the Parent Shareholder Meeting by the holders of Parent Common Shares, and (y) adoption of the Bye-Law Amendments by seventy-five percent (75%) of the votes cast at the Parent Shareholder Meeting by the holders of Parent Common Shares. This Agreement and the Parent Ancillary Agreements have been duly executed and delivered by Parent and Sub and (assuming the valid authorization, execution and delivery hereof and thereof by HIIC and any other parties hereto and thereto and the validity and binding effect hereof and thereof on HIIC and any other parties thereto) each constitutes the valid and binding obligation of Parent and Sub enforceable against Parent and Sub in accordance with its terms, except as to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally, (b) rules of law governing specific performance, injunctive relief and other equitable remedies, and (c) the enforceability of provisions requiring indemnification in connection with the offering, issuance or sale of securities.

Section 2.4 Consents and Approvals; No Violation. The execution and delivery of this Agreement and the Parent Ancillary Agreements do not, and the consummation of the transactions contemplated hereby and thereby and compliance with the provisions hereof and thereof will not, result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to the loss of a material benefit under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of Parent or any of its Subsidiaries under: (i) subject to adoption of the Resolutions and Bye-Law Amendments as described in Section 2.3, any provision of the Memorandum of Continuance and Bye-laws of Parent or the comparable charter or organization documents or by-laws of any of its Subsidiaries, (ii) assuming approval by HIIC under the Shareholders Agreement and HIEC under the Management Agreement and the consent of Singapore Airlines Limited ("SAL") to IEL as previously furnished by IEL to HIIC and Parent (the "SAL Consent"), any loan or credit agreement, note, bond, mortgage, indenture, lease, agreement, instrument, permit, concession, franchise or license applicable to Parent or any of its Subsidiaries or (iii) assuming adoption of the Resolutions and Bye-law Amendments as described in Section 2.3, any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Parent or any of its Subsidiaries or any of their respective properties or assets, other than, in the case of clauses (ii) and (iii), any such violations, defaults, rights, liens, security interests, charges or encumbrances that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Parent and would not materially impair the ability of Parent or Sub to perform their respective obligations hereunder or under the Parent Ancillary Agreements or prevent the consummation of any of the transactions contemplated hereby or thereby. No filing or registration with, or authorization, consent or approval of, any domestic (federal and state), foreign (including provincial) or supranational court, commission, governmental body, regulatory agency, authority or tribunal (a "Governmental Entity") is required by or with respect to Parent or any of its Subsidiaries in connection with the execution and delivery of this Agreement or the Parent Ancillary Agreements by Parent and Sub, or is necessary for the consummation of the Amalgamation and the other transactions contemplated by this Agreement or the Parent Ancillary Agreements, except: (i) for the filing with the Registrar of Companies in Bermuda of an application for consent and an application for registration of the Amalgamation and appropriate documents with the relevant authorities of other states in which IEL or any of its Subsidiaries is qualified to do business; (ii) for receipt of consent of the Minister of Finance in Bermuda and such other consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under the laws of any foreign country (including, without limitation, any political subdivision thereof) in which Parent or its Subsidiaries conducts any business or owns any property or assets; and (iii) for such other consents, orders, authorizations, registrations, declarations and filings the failure of which to obtain or make would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Parent and would not materially impair the ability of Parent or Sub to perform their respective obligations hereunder or under the Parent Ancillary Agreements or prevent the consummation of any of the transactions contemplated hereby or thereby.

Section 2.5 SEC Documents and Other Reports. As of their respective dates, all documents filed by Parent with the U. S. Securities and Exchange Commission (the "SEC") on or after January 4, 1994 (the "Parent SEC Documents"), copies of which have been delivered to HIIC, complied in all material respects with the requirements of the U. S. Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as the case may be, and none of the Parent SEC Documents contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Section 2.6 Absence of Certain Changes or Events. Except as set forth in the Parent SEC Documents filed prior to the date hereof, on or after January 4, 1994: (i) Parent and its Subsidiaries have not incurred any material liability or obligation (indirect, direct or contingent), or entered into any material oral or written agreement or other transaction, that is not in the ordinary course of business or that has resulted or would reasonably be expected to result in a Material Adverse Effect on Parent; (ii) Parent and its Subsidiaries have not sustained any loss or interference with their business or properties (whether or not covered by insurance) that has had or that would reasonably be expected to have a Material Adverse Effect on Parent; (iii) there has been no material change in the indebtedness of Parent and its Subsidiaries (other than changes in the ordinary course of business or as a result of a contemplated private

placement by Parent of 8% convertible debentures in an amount not to exceed $3.5 million (the "Debentures"), no change in the outstanding shares of capital stock of Parent except for the issuance of Parent Common Shares pursuant to the Parent Stock Rights and no dividend or distribution of any kind (including stock dividends, stock splits and the like) declared, paid or made by Parent on any class of its capital stock and (iv) there has been no Material Adverse Change with respect to Parent, nor any event or development that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change with respect to Parent.

Section 2.7 No Existing Violation, Default, Etc. Neither Parent nor any of its Subsidiaries is in violation of (i) its Memorandum of Continuance, Memorandum of Association or Bye-laws, (ii) any applicable law, ordinance or administrative or governmental rule or regulation or (iii) any order, decree or judgment of any Governmental Entity having jurisdiction over Parent or any of its Subsidiaries, except for any violations that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Parent. Assuming consummation of the B/E Conversion, there is no existing event of default or event that, but for the giving of notice or lapse of time, or both, would constitute an event of default under any loan or credit agreement, note, bond, mortgage, indenture or guarantee of indebtedness for borrowed money and there is no existing event of default or event that, but for the giving of notice or lapse of time, or both, would constitute an event of default under any lease, other agreement or instrument to which Parent or any of its Subsidiaries is a party or by which Parent or any such Subsidiary or any of their respective properties, assets or business is bound, in the case of each clause immediately above, which, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect on Parent.

Section 2.8 Actions and Proceedings. There are no outstanding orders, judgments, injunctions, awards or decrees of any Governmental Entity against Parent or any of its Subsidiaries, any of its or their properties, assets or business, or, to the knowledge of Parent, any of its or their current or former directors or officers, as such, that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Parent. Other than continuing monthly review by the National Association of Securities Dealers of Parent's compliance with the continued listing requirements of the Nasdaq SmallCap Market, there are no actions, suits or claims or legal, administrative or arbitration proceedings or investigations pending or, to the knowledge of Parent, threatened against Parent or any of its Subsidiaries, any of its or their properties, assets or business, or, to the knowledge of Parent, any of its or their current or former directors or officers, as such, that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Parent. As of the date hereof, there are no actions, suits or claims or legal, administrative or arbitration proceedings or investigations pending or, to the knowledge of Parent, threatened against Parent or any of its Subsidiaries, any of its or their properties, assets or business, or, to the knowledge of Parent, any of its or their current or former directors or officers, as such, relating to the transactions contemplated by this Agreement.

Section 2.9 Contracts. All of the material contracts of Parent and its Subsidiaries that are required to be described in the Parent SEC Documents or to be filed as exhibits thereto have been described or filed as required. Neither Parent or any of its Subsidiaries nor, to the knowledge of Parent, any other party is in breach of or default under any such contracts which are currently in effect, except for such breaches and defaults which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Parent. Except as set forth in the Parent SEC Documents, neither Parent nor any of its Subsidiaries is a party to or bound by any non-competition agreement or any other agreement or obligation which purports to limit in any material respect the manner in which, or the localities in which, Parent or any such Subsidiary is entitled to conduct all or any material portion of the business of Parent and its Subsidiaries taken as whole.

Section 2.10 Liabilities. Except as fully reflected or reserved against in the most recent audited consolidated financial statements for the fiscal year ended February 28, 1997, or disclosed in the footnotes thereto, Parent and its Subsidiaries had no liabilities (including, without limitation, liabilities for income, use or any other taxes) at the date of such consolidated financial statements, absolute or contingent, of a nature which are required by generally accepted accounting principles to be reflected on such consolidated financial statements or disclosed in the footnotes thereto, that were material, either individually or in the aggregate, to Parent and its Subsidiaries and IEL taken as a whole.

Except as so reflected, reserved, disclosed or set forth, Parent and its Subsidiaries have no commitments which are reasonably expected to be materially adverse, either individually or in the aggregate, to Parent and its Subsidiaries and IEL taken as a whole.

Section 2.11 Operations of Sub. Sub was formed solely for the purpose of owning its interest in IEL and has engaged in no other business activities and has conducted its operations only as contemplated hereby.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF HIIC

HIIC represents and warrants to Parent and Sub as follows:

Section 3.1 Organization, Standing and Power. HIIC is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada; owns one million (1,000,000) shares of IEL Common Shares in the aggregate represented by IEL Certificates numbers 5, 6, 25, 26, 27, 28, 29, 30, 31, 32, 35 and 36 issued in the name of HIIC and neither HIIC nor any of its Affiliates (as hereinafter defined) owns any other IEL Common Shares; or, except pursuant to the Shareholders Agreement, any option, warrant, call, right or agreement to receive any other IEL Common Shares and has the requisite corporate power and authority to carry on its business as now being conducted. For purposes of this Agreement, "Affiliates" means, any Person which Controls a party to this Agreement, which that party Controls or which is under common Control with that party; "Person" means an individual, partnership, limited partnership, corporation, limited liability company, association, joint stock company, trust, joint venture or unincorporated organization, or the United States of America or any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government; and "Control" means the power, direct or indirect, to direct or cause the direction of the management and policies of a Person through voting securities, contract or otherwise.

Section 3.2 Authority. Subject to the approval of the Board of Directors of HIIC, prior to the Effective Time, HIIC shall have approved the Amalgamation and this Agreement as a shareholder of IEL. Subject to the approval by the Board of Directors of each of HIIC and HIEC, HIIC and, as applicable, HIEC have all requisite power and authority to enter into this Agreement and all agreements to be entered into by HIIC and HIEC in connection therewith (collectively, "HIIC Ancillary Agreements") and to consummate the transactions contemplated hereby and thereby. Subject to the approval of the Board of Directors of each of HIIC and HIEC, prior to the Effective Time, the execution and delivery of this Agreement and the HIIC Ancillary Agreements by HIIC and HIEC and the consummation by HIIC and HIEC of the transactions contemplated hereby and thereby shall have been duly authorized by all necessary corporate action on the part of HIIC and, as applicable, HIEC. Subject to the approval by the Board of Directors of each of HIIC and HIEC, prior to the Effective Time, this Agreement and the HIIC Ancillary Agreements shall have been duly executed and delivered by HIIC and HIEC, as applicable, (assuming the valid authorization, execution and delivery hereof by Parent, Sub and any other parties hereto and thereto and the validity and binding effect hereof on Parent, Sub and any other parties thereto) and each constitutes the valid and binding obligation of HIIC and HIEC, as applicable, enforceable against HIIC and HIEC, as applicable, in accordance with its terms, except as to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally, (b) rules of law governing specific performance, injunctive relief and other equitable remedies, and (c) the enforceability of provisions requiring indemnification in connection with the offering, issuance or sale of securities.

Section 3.3 Consents and Approvals; No Violation. The execution and delivery of this Agreement and the HIIC Ancillary Agreements does not, and the consummation of the transactions contemplated hereby and thereby and compliance with the provisions hereof and thereof will not, result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to the loss of a material benefit under, or result in the creation of any lien, security interest, charge or encumbrance

upon any of the properties or assets of HIIC or HIEC under: (i) any provision of the Articles of Incorporation or By-Laws of HIIC or its Affiliates, (ii) assuming approval by the other parties thereto under the Shareholders Agreement and the Management Agreement and the SAL Consent, any loan or credit agreement, note, bond, mortgage, indenture, lease, agreement, instrument, permit, concession, franchise or license applicable to HIIC or HIEC or (iii) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to HIIC or HIEC or any of its properties or assets, other than, in the case of clauses (ii) and (iii), any such violations, defaults, rights, liens, security interests, charges or encumbrances that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on HIIC or HIEC and would not materially impair the ability of HIIC or, as applicable, HIEC to perform its obligations hereunder or under the HIIC Ancillary Agreements or prevent the consummation of any of the transactions contemplated hereby or thereby. No filing or registration with, or authorization, consent or approval of, any Governmental Entity is required by or with respect to HIIC or HIEC in connection with the execution and delivery of this Agreement or the HIIC Ancillary Agreements by HIIC or HIEC or is necessary for the consummation of the Amalgamation and the other transactions contemplated by this Agreement or the HIIC Ancillary Agreements, except: (i) for the filing with the Registrar of Companies in Bermuda of an application for approval and for registration of the Amalgamation, (ii) for receipt of consent of the Minister of Finance in Bermuda and such other consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under the laws of any foreign country (including, without limitation, any political subdivision thereof) in which HIIC or HIEC conducts any business or owns any property or assets and (iii) for such other consents, orders, authorizations, registrations, declarations and filings the failure of which to obtain or make would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on HIIC or HIEC and would not materially impair the ability of HIIC or HIEC to perform its obligations hereunder or under the HIIC Ancillary Agreements or prevent the consummation of any of the transactions contemplated hereby and thereby.

Section 3.4 Actions and Proceedings. As of the date hereof, there are no actions, suits or claims or legal, administrative or arbitration proceedings or investigations pending or, to the knowledge of HIIC, threatened against HIIC or any of its Subsidiaries or Affiliates, any of its or their properties, assets or business relating to the transactions contemplated by this Agreement.

Section 3.5 Ownership of Parent Capital Stock. Neither HIIC nor any of its Affiliates owns any shares of the capital stock of Parent.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF IEL

IEL represents and warrants to HIIC, Parent and Sub as follows:

Section 4.1 Organization, Standing and Power. IEL is an exempted company duly organized, validly existing and in good standing under the laws of Bermuda; and IEL has the requisite corporate power and authority to carry on its business as now being conducted. Each Subsidiary of IEL is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated and has the requisite corporate power and authority to carry on its business as now being conducted. IEL and each of its Subsidiaries are duly qualified to do business, and are in good standing, in each jurisdiction where the character of their properties owned or held under lease or the nature of their activities makes such qualification necessary, except where the failure to be so qualified would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on IEL. IEL is not subject to any material joint venture, joint operating or similar arrangement or any material shareholders agreement relating thereto other than the Shareholders Agreement and the Management Agreement.

Section 4.2 Capital Structure. As of the date hereof, the authorized capital stock of IEL consists of: 5,000,000 shares of IEL Common Shares, all of which are issued and outstanding, were validly issued, are fully paid

and are free of preemptive rights, except for rights under the Shareholders Agreement. As of the date of this Agreement, other than rights and options which may arise under the Shareholders Agreement (collectively, the "IEL Stock Rights"), there are no options, warrants, calls, rights or agreements to which IEL or any of its Subsidiaries is a party or by which any of them is bound obligating IEL or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock of IEL or obligating IEL to grant, extend or enter into any such option, warrant, call, right or agreement. Each outstanding share of capital stock of each Subsidiary of IEL is duly authorized, validly issued, fully paid and nonassessable and each such share is beneficially owned by IEL, free and clear of all security interests, liens, claims, pledges, options, rights of first refusal, agreements, limitations on voting rights, charges and other encumbrances of any nature whatsoever.

Section 4.3 Authority. Prior to the Effective Time, the Board of Directors of IEL shall have approved this Agreement, and subject to approval of the Board of Directors of IEL and the approval of Sub and HIIC as the only shareholders of IEL, IEL has all requisite power and authority to enter into this Agreement and all agreements to be entered into by IEL in connection therewith (collectively, "IEL Ancillary Agreements") to which it is a party and to consummate the transactions contemplated hereby and thereby. Prior to the Effective Time, the execution and delivery of this Agreement and the IEL Ancillary Agreements by IEL and the consummation by IEL of the transactions contemplated hereby and thereby shall have been duly authorized by all necessary corporate action on the part of IEL. Subject to approval of the Board of Directors of IEL and the approval of Sub and HIIC as the only shareholders of IEL, this Agreement and the IEL Ancillary Agreements has been duly executed and delivered by IEL and (assuming the valid authorization, execution and delivery hereof and thereof by the other parties hereto and thereto and the validity and binding effect hereof and thereof on the other parties thereto) each constitutes the valid and binding obligation of IEL enforceable against IEL in accordance with its terms , except as to the effect, if any, of (a) applicable bankruptcy and other similar laws affecting the rights of creditors generally, (b) rules of law governing specific performance, injunctive relief and other equitable remedies, and (c) the enforceability of provisions requiring indemnification in connection with the offering, issuance or sale of securities.

Section 4.4 Consents and Approvals; No Violation. The execution and delivery of this Agreement and the IEL Ancillary Agreements do not, and the consummation of the transactions contemplated hereby and thereby and compliance with the provisions hereof and thereof will not, result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to the loss of a material benefit under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IEL or any of its Subsidiaries under: (i) any provision of the Memorandum of Association and Bye-laws of IEL or the comparable charter or organization documents or by-laws of any of its Subsidiaries, (ii) assuming approval by the other parties thereto under the Shareholders Agreement and the Management Agreement and the SAL Consent, any loan or credit agreement, note, bond, mortgage, indenture, lease, agreement, instrument, permit, concession, franchise or license applicable to IEL or any of its Subsidiaries (other than (a) the Mutual Confidentiality and Non-Disclosure Agreement, dated March 22, 1996, by and between IEL and the In-Flight Entertainment Division of B/E Aerospace, Inc., (b) the Software Integration Assistance Agreement, dated as of June 1, 1995, by and between IEL and Matsushita Avionics Systems Corporation, (c) the Public Relations Services Agreement dated March 28, 1996, by and between Karen Weiner Escalera Associates, Inc. and IEL) and (d) Sublicense Agreement effective as of October 11, 1996 between Harrah's Operating Company, Inc. and IEL or (iii) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to IEL or any of its Subsidiaries or any of their respective properties or assets, other than, in the case of clauses (ii) and (iii), any such violations, defaults, rights, liens, security interests, charges or encumbrances that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on IEL and would not materially impair the ability of IEL to perform its obligations hereunder or under the IEL Ancillary Agreements or prevent the consummation of any of the transactions contemplated hereby or thereby. No filing or registration with, or authorization, consent or approval of any Governmental Entity is required by or with respect to IEL or any of its Subsidiaries in connection with the execution and delivery of this Agreement or the IEL Ancillary Agreements by IEL, or is necessary for the consummation of the Amalgamation and the other transactions contemplated by this Agreement or the IEL Ancillary Agreements, except: (i) for the filing with the Registrar of Companies in Bermuda of an application for approval and for registration of the Amalgamation and appropriate documents with the relevant authorities of other states in which IEL or any of its Subsidiaries is qualified to do business; (ii) for receipt of consent from the Minister of Finance in Bermuda and such other

consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under the laws of any foreign country (including, without limitation, any political subdivision thereof) in which IEL

or any of its Subsidiaries conducts any business or owns any property or assets; and (iii) for such other consents, orders, authorizations, registrations, declarations and filings the failure of which to obtain or make would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on IEL and would not materially impair the ability of IEL to perform its obligations hereunder or under the IEL Ancillary Agreements or prevent the consummation of any of the transactions contemplated hereby or thereby.

Section 4.5 Absence of Certain Changes or Events. Since December 30, 1994, (i) IEL has not incurred any material liability or obligation (indirect, direct or contingent), or entered into any material oral or written agreement or other transaction, that is not in the ordinary course of business or as otherwise authorized by the Management Agreement or the 1995 business plan of IEL, the 1996 business plan of IEL or the 1997 business plan of IEL (the "1997 IEL Plan") or reflected or reserved against in the annual audited consolidated financial statements of IEL or disclosed in the footnotes thereto for the fiscal years ending December 31, 1995 and 1996, each as approved by the Board of Directors of IEL, or that has resulted or would reasonably be expected to result in a Material Adverse Effect on IEL; (ii) IEL and its Subsidiaries have not sustained any loss or interference with their business or properties (whether or not covered by insurance) that has had or that would reasonably be expected to have a Material Adverse Effect on IEL; (iii) there has been no material change in the indebtedness of IEL and its Subsidiaries (other than changes in the ordinary course of business or pursuant to the Funding Agreement), no change in the outstanding shares of capital stock of IEL, except for any increases in the authorized share capital approved by Sub and HIIC, and no dividend or distribution of any kind (including stock dividends, stock splits and the like) declared, paid or made by IEL on any class of its capital stock and (iv) there has been no Material Adverse Change with respect to IEL, nor any event or development that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Change with respect to IEL.

Section 4.6 No Existing Violation, Default, Etc. IEL is not in violation of (i) its Memorandum of Association or bye-laws, (ii) any applicable law, ordinance or administrative or governmental rule or regulation or (iii) any order, decree or judgment of any Governmental Entity having jurisdiction over IEL or any of its Subsidiaries, except for any violations that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on IEL. There is no existing event of default or event that, but for the giving of notice or lapse of time, or both, would constitute an event of default under any loan or credit agreement, note, bond, mortgage, indenture or guarantee of indebtedness for borrowed money and there is no existing event of default or event that, but for the giving of notice or lapse of time, or both, would constitute an event of default under any lease, other agreement or instrument to which IEL or any of its Subsidiaries is a party or by which IEL or any such Subsidiary or any of their respective properties, assets or business is bound, in the case of each of clause (i) and (ii) immediately above, which, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect on IEL.

Section 4.7 Actions and Proceedings. There are no outstanding orders, judgments, injunctions, awards or decrees of any Governmental Entity against IEL or any of its Subsidiaries, any of its or their properties, assets or business, or, to the knowledge of IEL, any of its or their current or former directors or officers, as such, that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on IEL. There are no actions, suits or claims or legal, administrative or arbitration proceedings or investigations pending or, to the knowledge of IEL, threatened against IEL or any of its Subsidiaries, any of its or their properties, assets or business, or, to the knowledge of IEL, any of its or their current or former directors or officers, as such, that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on IEL. As of the date hereof, there are no actions, suits or claims or legal, administrative or arbitration proceedings or investigations pending or, to the knowledge of IEL, threatened against IEL or any of its Subsidiaries, any of its or their properties, assets or business, or, to the knowledge of IEL, any of its or their current or former directors or officers, as such, relating to the transactions contemplated by this Agreement.

Section 4.8 Contracts. Neither IEL or any of its Subsidiaries nor, to the knowledge of IEL, any other party is in breach of or default under any material contract to which it is a party which is currently in effect, except for such

breaches and defaults which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on IEL. Neither IEL nor any of its Subsidiaries is a party to or bound by any non-competition agreement or any other agreement or obligation which purports to limit in any material respect the manner in which, or the localities in which, IEL or any such Subsidiary is entitled to conduct all or any material portion of the business of IEL and its Subsidiaries taken as whole (other than the Shareholders Agreement).

Section 4.9 Liabilities. Except as fully reflected or reserved against in the most recent audited consolidated financial statements of IEL for the year ended December 31, 1996, or disclosed in the footnotes thereto, IEL had no liabilities (including, without limitation, liabilities for income, use or other taxes) at the date of such consolidated financial statements, absolute or contingent, of a nature which are required by generally accepted accounting principles to be reflected on such consolidated financial statements or disclosed in the footnotes thereto, that were material, either individually or in the aggregate, to IEL and its Subsidiaries taken as a whole, except for amounts owed to HIEC pursuant to and in accordance with the terms and provisions of the Management Agreement. Except as so reflected, reserved, disclosed or set forth, IEL and its Subsidiaries have no commitments which are reasonably expected to be materially adverse, either individually or in the aggregate, to IEL and its Subsidiaries taken as a whole, assuming IEL has adequate financial resources to fulfill its obligations to SAL under the Software License and Software Service Agreement dated November 7, 1995 with SAL and the Services Agreement dated November 7, 1995 and SAL (collectively, the "SAL Agreements").

Section 4.10 Operations of Subsidiary. The Subsidiary of IEL was formed solely for the purpose of conducting all operations required to be conducted by IEL in Singapore pursuant to the SAL Agreements and attempting to secure additional contracts with other Asian airlines and has engaged in no other business activities.

ARTICLE V

COVENANTS RELATING TO CONDUCT OF BUSINESS

Section 5.1 Conduct of Business Pending the Amalgamation. (a) Actions by Parent. During the period from the date of this Agreement through the Effective Time, except as otherwise expressly required by this Agreement and the Parent Ancillary Documents, Parent shall, and shall cause each of its Subsidiaries to, in all material respects carry on its business in, and not enter into any material transaction other than in accordance with, the ordinary course of its business as currently conducted and, to the extent consistent therewith, use its reasonable best efforts to preserve intact its current business organization, keep available the services of its current officers and employees and preserve its relationships with customers, suppliers and others having business dealings with it, all to the end that its goodwill and ongoing business shall be unimpaired at the Effective Time. Without limiting the generality of the foregoing, and except as otherwise expressly contemplated by this Agreement and the Parent Ancillary Documents, Parent shall not, and shall not permit any of its Subsidiaries to, without the prior written consent of HIIC:

(i) (A) declare, set aside or pay any dividends (including any stock dividends) on, or make any other actual, constructive or deemed distributions or stock splits or similar actions in respect of, any of its capital stock, or otherwise make any payments to its shareholders in their capacity as such; or (B) purchase, redeem or otherwise acquire any shares of its capital stock or those of any Subsidiary or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities;

(ii) issue, deliver, sell, pledge, dispose of or otherwise encumber any shares of its capital stock (other than pursuant to the Funding Agreement), any other voting securities or equity equivalent or any securities convertible into, or any rights, warrants or options to acquire, any such shares, voting securities, equity equivalent or convertible securities (other than the issuance of Parent Common Shares during the period from the date of this Agreement through the Effective Time upon the exercise of Parent Stock Rights, except for the issuance of Parent Common Shares upon conversion of the convertible redeemable preference shares of Parent issued upon the B/E Conversion) unless a number of voting shares of Parent are issued to

HIIC upon payment by HIIC of the par value thereof such that such number of shares plus the number of Parent Common Shares into which HIIC's IEL Common Shares are to be converted pursuant to Section 1.5 plus the number of shares of Parent Common Shares issuable to HIIC under the Funding Agreement constitutes the same percentage of the outstanding voting shares of Parent on a fully diluted basis (as used in this Agreement, "fully diluted basis" shall be as defined in the bye-laws of Parent as to be amended by the Bye-Law Amendments in substantially the form attached hereto as Exhibit A) as the number of Parent Common Shares into which HIIC's IEL Common Shares are to be converted pursuant to Section 1.5 plus the number of shares of Parent Common Shares issuable to HIIC under the Funding Agreement constituted of the outstanding voting shares of Parent on a fully diluted basis prior to such issuance;

(iii) amend its Memorandum of Association; or amend its bye-laws if such amendment would adversely affect the rights of HIIC hereunder or upon consummation of the Amalgamation;

(iv) acquire or agree to acquire, by amalgamating, merging or consolidating with, by purchasing a substantial portion of the assets of or equity in or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire or agree to acquire any assets, other than transactions that are not material to Parent and its Subsidiaries taken as a whole;

(v) sell, lease or otherwise dispose of, or agree to sell, lease or otherwise dispose of, any of its assets (other than the real property owned by a Subsidiary of Parent), other than transactions that are not material to Parent and its Subsidiaries taken as a whole;

(vi) incur or assume any indebtedness for borrowed money or guarantee any such indebtedness (other than pursuant to the Funding Agreement or as a result of the issuance of the Debentures) or make any loans, advances or capital contributions to, or other investments in, any other person;

(vii) violate or fail to perform any material obligation or duty imposed upon Parent or any Subsidiary by any applicable federal, state, local, foreign or provincial law, rule, regulation, guideline or ordinance;

(viii) take any action, other than reasonable and usual actions in the ordinary course of business consistent with past practice, with respect to accounting policies or procedures; or

(ix) authorize, recommend, propose or announce an intention to do any of the foregoing, or enter into any contract, agreement, commitment or arrangement to do any of the foregoing.

Parent shall promptly advise HIIC orally and in writing of any change or event having, or which would reasonably be expected to have, a Material Adverse Effect on Parent.

(b) Actions by HIIC. During the period from the date of this Agreement through the Effective Time, except as otherwise expressly required by this Agreement or the HIIC Ancillary Agreements, HIIC shall cause HIEC to manage the business of IEL in accordance with the terms of the Management Agreement, the Shareholders Agreement and the 1997 IEL Plan and to cause IEL not to enter into any material transaction, contract or agreement other than as authorized by the Management Agreement, the Shareholders Agreement, the 1997 IEL Plan or by the Board of Directors of IEL in writing. Without limiting the generality of the foregoing, and except as otherwise expressly contemplated by this Agreement, HIIC shall not, and shall cause HIEC not to, without the prior written consent of Parent, during the period from the date of this Agreement through the Effective Time:

(i) with respect to any employees or agents of IEL or employees or agents used to conduct the business of IEL, enter into or adopt any employee benefit or welfare plan, or amend in any material respect

any existing employee benefit or welfare plan, other than as required by law or in the ordinary course of business consistent with past practices;

(ii) with respect to any employees or agents of IEL or employees or agents used to conduct the business of IEL, increase the compensation payable or to become payable to its officers or employees or grant any severance or termination pay to, or enter into, or amend or modify, any employment, severance or consulting agreement with, any director, officer, employee or agent of IEL or any of its Subsidiaries, or, except in the ordinary course of business consistent with past practices, establish, adopt, enter into or, except as may be required to comply with applicable law or, except in the ordinary course of business consistent with past practices, amend in any material respect or take action to enhance in any material respect or accelerate any rights or benefits under, any collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any director, officer or employee; or

(iii) acquire any shares of capital stock of Parent.

HIIC shall promptly advise Parent orally and in writing of any change or event having, or which would reasonably be expected to have, a Material Adverse Effect on IEL.

ARTICLE VI

ADDITIONAL AGREEMENTS

Section 6.1 Shareholder Meetings. Parent shall call a meeting of its shareholders (the "Parent Shareholder Meeting") to be held as promptly as practicable (but in no event prior to the fulfillment of the conditions specified in Section 7.1(c) to each party's obligation to effect the Amalgamation) for the purpose of voting upon the Bye-Law Amendments and the Resolutions.

Section 6.2 Access to Information. Parent shall, and shall cause each of its Subsidiaries to, afford, during normal business hours during the period from the date of this Agreement through the Effective Time, to the accountants, counsel, financial advisors, officers and other representatives of HIIC reasonable access to, and permit them to make such inspections as may reasonably be requested of, its properties, books, contracts, commitments and records (including, without limitation, the work papers of independent public accountants), and also permit such interviews with its officers and employees as may be reasonably requested; and, during such period, Parent shall, and shall cause each of its Subsidiaries to, furnish promptly to HIIC (i) a copy of each report, schedule, registration statement and other document filed by it during such period pursuant to the requirements of federal or state securities laws and (ii) all other information concerning its properties, assets, business and personnel as the other may reasonably request.

Section 6.3 Stock Exchange Listings. Parent shall use its reasonable best efforts to list on the Nasdaq SmallCap Market, upon official notice of issuance, the Parent Common Shares to be issued in connection with the Amalgamation.

Section 6.4 Fees and Expenses. Except as otherwise provided in this Section 6.4, whether or not the Amalgamation shall be consummated, all costs and expenses incurred in connection with this Agreement, the Parent Ancillary Agreements and the HIIC Ancillary Agreements and the transactions contemplated hereby and thereby, including, without limitation, the fees and disbursements of counsel, financial advisors, accountants, actuaries and consultants, shall be paid by the party incurring such costs and expenses. Parent and HIIC hereby acknowledge and agree that IEL has not incurred any costs and expenses in connection with this Agreement, the Parent Ancillary

Agreements and the HIIC Ancillary Agreements and the transactions contemplated hereby and thereby; provided, HIEC may receive reimbursement in accordance with the terms and provisions of the Management Agreement for services provided to IEL solely for the benefit of IEL which involved any of the foregoing.

Section 6.5 Reasonable Best Efforts. (a) Upon the terms and subject to the conditions set forth in this Agreement, each of the parties hereto agrees to use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable, to consummate and make effective, as soon as reasonably practicable, the Amalgamation and the other transactions contemplated by this Agreement, including, but not limited to: (i) the obtaining of all necessary actions or non-actions, waivers, consents and approvals from all Governmental Entities and the making of all necessary registrations and filings with, and the taking of all other reasonable steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any Governmental Entity; (ii) the obtaining, of all necessary consents, approvals or waivers from persons other than Governmental Entities; (iii) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement, the Parent Ancillary Agreements and HIIC Ancillary Agreements, or the consummation of the transactions contemplated hereby or thereby, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Entity vacated or reversed; and (iv) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by this Agreement.

(b) Each party hereto shall use its reasonable best efforts not to take any action, or to enter into any transaction, which would cause any of its representations or warranties contained in this Agreement to be untrue or to result in a breach of any of its covenants in this Agreement.

(c) Notwithstanding any provision in this Agreement to the contrary neither Parent nor HIIC shall be obligated to use its reasonable best efforts or to take any action (or omit to take any action) pursuant to this Agreement if the Board of Directors of Parent or HIIC, as the case may be, shall conclude in good faith on the basis of the advice of its outside counsel that such action would be inconsistent with the fiduciary obligations of such Board of Directors under applicable law.

Section 6.6 Public Announcements. Parent and HIIC shall consult with each other before issuing any press release or otherwise making any public statement with respect to the transactions contemplated by this Agreement and shall not issue any such press release or make any such public statement prior to such consultation and without the written approval (which shall not unreasonably be withheld) of the other, except as may be required by applicable law or regulation or by existing obligations pursuant to any listing agreement with any national securities exchange.

Section 6.7 Notification of Certain Matters. Parent shall give prompt notice to HIIC and HIIC shall give prompt notice to Parent, of: (i) the occurrence, or non-occurrence, of any event the occurrence, or non-occurrence, of which does or would be likely to cause (A) any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect or (B) any covenant, condition or agreement contained in this Agreement not to be complied with or satisfied; and (ii) any failure of Parent, Sub, HIIC or IEL, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 6.7 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

Section 6.8 Amalgamation of Parent and Sub. Parent and Sub agree to use their reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done all things necessary, proper or advisable, to consummate and make effective, as soon as reasonably practicable after the Effective Time, the amalgamation of the Amalgamated Company with and into Parent and, as part of such transaction, to change the name of Parent to "Interactive Entertainment Limited, " in accordance with the CA (the "Parent Amalgamation").

ARTICLE VII

CONDITIONS PRECEDENT TO THE AMALGAMATION

Section 7.1 Conditions to Each Party's Obligation to Consummate the Amalgamation. The respective obligations of each party hereto to consummate the Amalgamation shall be subject to the fulfillment at or prior to the Effective Time of the following conditions:

(a) Shareholder Approval. The Resolutions shall have been duly approved by a majority of the votes cast at the Parent Shareholder Meeting by the holders of shares entitled to vote thereon, in accordance with applicable law and the Bye-laws of Parent, and the Bye-Law Amendments shall have been duly adopted by seventy-five percent (75%) of the votes cast at the Parent Shareholder Meeting by the holders of shares entitled to vote thereon in accordance with applicable law and the Bye-laws of Parent.

(b) SAL and Other Approvals.

(i) IEL shall have received the written consent of SAL to the Amalgamations and the transactions contemplated thereby, including, without limitation, termination of the Management Agreement; and

(ii) all authorizations, consents, orders, declarations or approvals of, or filings with, or terminations or expirations of waiting periods imposed by, any Governmental Entity, which the failure to obtain, make or occur would have the effect of making the Amalgamation or any of the transactions contemplated hereby illegal (or without which the Amalgamation could not become effective) or would have a Material Adverse Effect on Parent or IEL (as the Amalgamated Company), assuming the Amalgamation had taken place, shall have been obtained, shall have been made or shall have occurred.

(c) No Order. No court or other Governmental Entity having jurisdiction over IEL or Parent, or any of their respective Subsidiaries, shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is then in effect and has the effect of making illegal or prohibiting the Amalgamation or any of the transactions contemplated hereby.

(d) Termination Agreements. The parties thereto shall have entered into agreements reasonably satisfactory to the parties thereto to terminate the following agreements:

(i) the Management Agreement effective as of the Effective Time (which shall contain a mutual release by the parties thereto);

(ii) the Shareholders Agreement effective as of the Effective Time (which shall contain a mutual release by the parties thereto); and

(iii) the Cross-License Agreement among Parent (f/k/a Creator Capital Inc., a Yukon Territory corporation), IEL and HIEC dated December 30, 1994 effective as of the effective time of the Parent Amalgamation.

(e) Litigation. There shall not have been instituted and be pending any suit, action or proceeding by any Governmental Entity or any shareholder of Parent (including any shareholder derivative action) with proper standing to bring such suit, action or proceeding as a result of this Agreement or any of the transactions contemplated hereby which, if such Governmental Entity or shareholder of Parent were to prevail, would reasonably be expected to have the effect of preventing or materially delaying the Amalgamation.

(f) Performance of Obligations; Representations and Warranties. IEL shall have performed in all material respects each of its agreements contained in this Agreement required to be performed at or prior to the Effective Time, each of the representations and warranties of IEL contained in this Agreement that is qualified by materiality shall be true and correct at and as of the Effective Time as if made at and as of the Effective Time and each of such representations and warranties that is not so qualified shall be true and correct in all material respects at and as of the Effective Time as if made at and as of the Effective Time, in each case except as contemplated or permitted by this Agreement; and each of Parent and HIIC shall have received a certificate signed on behalf of IEL by its President and its Treasurer to such effect.

(g) Material Adverse Change. Since the date of this Agreement, there shall have been no Material Adverse Change with respect to IEL, except as contemplated in the 1997 IEL Plan; and each of Parent and HIIC shall have received a certificate signed on behalf of IEL by Gordon Stevenson, President, and Laurence Geller, Vice President, to such effect.

(h) Continuing Services Agreement. Parent and HIEC shall as of the Closing have entered into a Continuing Services Agreement regarding the provision of certain administrative and support services by HIEC to Parent after the Closing on terms reasonably satisfactory to the parties and terminable by Parent upon sixty (60) days' notice; provided Parent bears the cost of termination.

(i) Continued Listing of Parent Common Shares. There shall not be a cease trading order in effect as to the trading of the Parent Common Shares through the Nasdaq SmallCap Market, the Parent Common Shares shall be listed on the Nasdaq SmallCap Market and Parent shall not have received a written or an official oral notice of non-compliance from Nasdaq as to any applicable SmallCap Market continued listing requirement and such notice shall not have been rescinded or such non-compliance remedied.

(j) Receipt of Legal Opinion. HIIC, Parent and Sub shall have received the legal opinion of Appleby, Spurling & Kempe addressed to each of them in such form as is reasonably acceptable to each of HIIC, Parent and Sub.

Section 7.2 Conditions to Obligation of HIIC to Consummate the Amalgamation. The obligation of HIIC to consummate the Amalgamation shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

(a) Approval of HIIC Board and HIIC. The Board of directors of HIIC shall have approved this Agreement and the HIIC Ancillary Agreements and HIIC shall have approved the Amalgamation and this Agreement as a shareholder of IEL.

(b) Performance of Obligations; Representations and Warranties. Each of Parent and Sub shall have performed in all material respects each of its agreements contained in this Agreement required to be performed at or prior to the Effective Time, each of the representations and warranties of Parent and Sub contained in this Agreement that is qualified by materiality shall be true and correct at and as of the Effective Time as if made at and as of the Effective Time and each of such representations and warranties that is not so qualified shall be true and correct in all material respects at and as of the Effective Time as if made at and as of the Effective Time, in each case except as contemplated or permitted by this Agreement; and HIIC shall have received a certificate signed on behalf of Parent by its Chief Executive Officer and its Chief Financial Officer to such effect.

(c) Consents Under Agreements. HIIC shall have obtained the consent or approval of each person (other than SAL and the Governmental Entities referred to in Section 7.1(c)) whose consent or approval shall be required in connection with the transactions contemplated hereby under any indenture, mortgage, evidence of indebtedness, license, lease or other agreement or instrument, except where the failure to obtain the same would not

reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect on HIIC or upon the consummation of the transactions contemplated hereby.

(d) Material Adverse Change. Since the date of this Agreement, there shall have been no Material Adverse Change with respect to Parent, except as contemplated in the 1997 IEL Plan or as a result of the write-down of real estate assets owned by a Subsidiary of Parent; and HIIC shall have received a certificate signed on behalf of Parent by its Chief Executive Officer and its Chief Financial Officer to such effect.

(e) Delivery of Agreements. Parent and HIIC shall have entered into the following agreements as of the Closing:

(i) a Shareholder Rights Agreement between HIIC and Parent, in such form as is reasonably acceptable to HIIC and Parent, regarding approval by HIIC and the Affiliates of HIIC for as long as they collectively own:

(A) twenty percent (20%) or more of the outstanding voting shares of Parent, on a fully diluted basis, as to:

(1) the sale of all or any material portion of the assets of Parent together with its Subsidiaries;

(2) the incurrence, renewal, refinancing, prepayment or amendment of the terms of indebtedness of Parent together with its Subsidiaries in excess of $5 million in any one fiscal year;

(3) Parent or any of its Subsidiaries entering into any material joint venture or partnership agreement outside of its previously approved scope of business;

(4) any material acquisition of assets by Parent or any of its Subsidiaries, including by lease or otherwise (other than by merger, consolidation or amalgamation) and other than pursuant to a previously approved budget or plan, or the acquisition by Parent or any of its Subsidiaries of the stock of another entity, in each case involving an acquisition valued at $5 million or more;

(5) any material change in the nature of the business conducted by Parent or any of its Subsidiaries;

(6) any material amendments to the management incentive plan covering 4,070,105 Parent Common Shares (the "MIP") for 12 months following the Closing;

(7) the adoption of any stock option plans for greater than 5% of the then outstanding Parent Common Shares on a fully diluted basis, other than the MIP, in any one fiscal year;

(8) material changes in accounting policies; and

(9) the creation or adoption of any shareholder rights plan; and

(B) 10% or more of the outstanding voting shares of Parent on a fully diluted basis, as to (1) any change in or conduct of Parent's or any of its Subsidiaries' business or proposed business (including, but not limited to, the terms of repurchase or redemption of any debt from any holder thereof if such holder would be a Disqualified Holder (as such term is defined in the bye-laws of Parent (as to be amended by the Bye-Law Amendments in substantially the form attached hereto as Exhibit A) if such Person held shares of Parent) that would constitute or result in, or (2) any action or inaction of or by Parent or any of its Subsidiaries' which HIIC or the Affiliates of HIIC determine in their reasonable business judgment would result in, in the case of either (1) or (2), any actual or threatened disciplinary action or any actual or threatened regulatory sanctions with respect to or affecting the loss of, or the inability to obtain or failure to secure the reinstatement of, any registration, certification, license or other regulatory approval held by HIIC or the Affiliates of HIIC in any jurisdiction in which HIIC or any of the Affiliates of HIIC are actively conducting business or as to which any of them has received final approval or authorization to proceed, even on a preliminary basis, from its respective board of directors (or any appropriate committee established by such board of directors) of plans to conduct business (each such change, conduct, action or inaction referred to herein as a "Disqualifying Action"); provided, the reasonable business judgment to be exercised by HIIC and the Affiliates of HIIC in determining whether a Disqualifying Action has occurred or would result need not involve any consideration of the effect of the Disqualifying Action on Parent alone or together with its Subsidiaries because the purpose of the protections afforded by the determination of a Disqualifying Action is for the benefit of the separate businesses and investments of HIIC and the Affiliates of HIIC;

(ii) a Registration and Preemptive Rights Agreement on substantially the following terms:

(A) HIIC would have two (2) demand registration rights to cause Parent to register Parent Common Shares owned by HIIC and/or the Affiliates of HIIC, provided, prior to June 30, 1998, no such demand registration shall be brought for a number of shares in excess of one million (1,000,000) unless Parent receives the opinion of its investment banker that the trading price of the Parent Common Shares would not fall by more than twenty-five percent (25%) for more than fifteen (15) consecutive trading days as a result of such sale, in which case a demand could be brought with respect to up to such number of Parent Common Shares as would not cause the market price to fall below such level. Each such offering shall be underwritten on a firm commitment basis by an underwriter chosen by Parent. The demand rights would be subject to customary restrictions such as 120 day blockage periods for corporate developments or registered offerings by Parent, cut-backs and etc.;

(B) Parent would also agree pursuant to such registration rights agreement that until HIIC and the Affiliates of HIIC collectively own less than 5% of the outstanding voting shares of Parent on a fully diluted basis, HIIC and the Affiliates of HIIC shall have customary piggy-back rights to include their Parent Common Shares in registered offerings by Parent;

(C) HIIC and the Affiliates of HIIC would bear the costs of their legal counsel and any underwriting discounts, commissions or allowances in connection with all sales pursuant to the foregoing, and Parent would bear all other fees and expenses of such registrations;

(D) HIIC and/or the Affiliates of HIIC would have the right to purchase voting shares of Parent (or securities convertible into voting shares of Parent) offered by Parent for as long as HIIC and the Affiliates of HIIC collectively owned twenty percent (20%) or more of the outstanding voting shares of Parent on a fully diluted basis at the same price and terms such securities are otherwise being offered. HIIC and/or the Affiliates of HIIC would also have the right for as long as HIIC and the Affiliates of HIIC collectively owned twenty percent (20%) or more of the outstanding voting shares of Parent on a fully diluted basis to participate on a proportionate basis in any non-pro rata stock repurchases or redemptions conducted by Parent;

(E) at any time that HIIC and the Affiliates of HIIC collectively own less than ten percent (10%) of the outstanding voting shares of Parent, on a fully diluted basis, (1) Parent shall have the right to cause HIIC and the Affiliates of HIIC to sell their voting shares of Parent pursuant to a registered sale and (2) HIIC shall have the right to cause Parent to file a registration statement to sell its and its Affiliates' voting shares of Parent, in each case of (1) and (2), in the event (x) of any change in or conduct of the business or proposed business of Parent or any of its Subsidiaries or any other action or inaction of Parent or any of its Subsidiaries which would constitute or result in a Disqualifying Action or (y) Parent does not redeem a "Disqualified Holder" pursuant to Bye-law 4B of its bye-laws (as to be amended by the Bye-Law Amendments in substantially the form attached hereto as Exhibit A), and in each case of (1) and (2), at Parent's expense (other than HIIC's and the Affiliates of HIIC underwriting discounts, commissions or allowances) without being subject to the limitations set forth in the foregoing paragraph (A); and

(F) upon any conversion of any shares of convertible redeemable preference shares of Parent issued to B/EA as part of the B/E Conversion, Parent shall issue to HIIC and/or the Affiliates of HIIC a number of Parent Common Shares upon payment by HIIC of the par value thereof such that such number of shares plus the number of Parent Common Shares into which HIIC's IEL Common Shares are to be converted pursuant to Section 1.5 plus the number of shares of Parent Common Shares issuable to HIIC under the Funding Agreement collectively constitutes the same percentage of the outstanding voting shares of Parent on a fully-diluted basis as the number of Parent Common Shares into which HIIC's IEL Common Shares are to be converted pursuant to Section 1.5 plus the number of shares of Parent Common Shares issuable to HIIC under the Funding Agreement constituted of the outstanding voting shares of Parent on a fully diluted basis prior to such issuance; and

(iii) a License Agreement regarding use by HIIC and its Affiliates of IEL intellectual property on substantially the following terms: Parent would grant a fully paid and perpetual worldwide license to Harrah's to use IEL's gaming technology in non-competitive uses in traditional casino venues which it or its Affiliates own, operate or manage. The license would include source codes for all software, and neither party would have any obligation to share or provide any improvements or modifications with the other party. The license would contain customary provisions regarding limitations on the use of and protections regarding the IEL intellectual property.

(f) Escrow Shares. Parent shall have entered into binding written agreements with the record holders of all 3,525,000 Parent Common Shares being held in escrow by Montreal Trust Company of Canada under an Escrow Agreement dated May 27, 1992 ("Performance Shares"), pursuant to which such holders have agreed to allow Parent to redeem and/or cancel such Parent Common Shares. In connection with such redemption and/or cancellation of the Performance Shares, Parent shall not issue or agree to issue more than 1,175,000 Parent Common

Shares, and HIIC shall have received a certificate signed on behalf of Parent by its Chief Executive Officer to such effect. Each record holder of Performance Shares shall have executed and delivered to a national banking association selected by HIIC and acceptable to Parent (the "Proxy Holder") an irrevocable proxy appointing the Proxy Holder proxy for such holder with respect to the Performance Shares. The Proxy Holder shall have entered into an agreement with Parent and HIIC regarding the Proxy Holder's agreement not to vote the Performance Shares.

(g) Bye-Law Amendments. The Bye-Law Amendments substantially in the form attached hereto as Exhibit A shall have been approved and adopted by seventy-five percent (75%) of the votes cast at the Parent Shareholder Meeting by the holders of shares entitled to vote thereon in accordance with applicable law and the Bye-Laws of Parent.

(h) B/E Conversion. Parent shall have prior to or at the Effective Time consummated the B/E Conversion.

(i) B.C. Securities Compliance Certificate. Parent shall have delivered to HIIC a certificate of the British Columbia Securities Commission certifying that Parent is in compliance with its filing obligations under the British Columbia Securities Commission dated no more than ten (10) days prior to the date of the Closing.

Section 7.3 Conditions to Obligations of Parent and Sub to Consummate the Amalgamation. The obligation of Parent and Sub to consummate the Amalgamation shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

(a) Performance of Obligations; Representations and Warranties. HIIC shall have performed in all material respects each of its agreements contained in this Agreement required to be performed at or prior to the Effective Time, each of the representations and warranties of HIIC contained in this Agreement that is qualified by materiality shall be true and correct at and as of the Effective Time as if made at and as of the Effective Time and each of such representations and warranties that is not so qualified shall be true and correct in all material respects at and as of the Effective Time as if made at and as of the Effective Time, in each case except as contemplated or permitted by this Agreement; and Parent shall have received a certificate signed on behalf of HIIC by its President and its Treasurer to such effect.

(b) Consents Under Agreements. Parent and Sub shall have obtained the consent or approval of each person (other than SAL and the Governmental Entities referred to in Section 7.1(c)) whose consent or approval shall be required in connection with the transactions contemplated hereby under any indenture, mortgage, evidence of indebtedness, license, lease or other agreement or instrument, except where the failure to obtain the same would not reasonably be expected, in the good faith opinion of Parent, individually or in the aggregate, to have a Material Adverse Effect on Parent or Sub or upon the consummation of the transactions contemplated hereby.

ARTICLE VIII

TERMINATION; AMENDMENT AND WAIVER

Section 8.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after any approval by the stockholders of Parent of the matters presented in connection with the Amalgamation:

(a) by mutual written consent of Parent and HIIC;

(b) by Parent, by written notice to HIIC, if (i) HIIC shall have failed to comply in any material respect with any of its covenants or agreements contained in this Agreement required to be complied with prior to the

date of such termination, which failure to comply has not been cured within five (5) business days of written notice of such failure to comply, (ii) the shareholders of Parent shall not approve and adopt the Resolutions at the Parent Shareholder Meeting or any adjournment thereof or by written consent or (iii) the shareholders of Parent shall not approve and adopt the Bye-Law Amendments at the Parent Shareholder Meeting or any adjournment thereof or by written consent;

(c) by HIIC, by written notice to Parent, if (i) Parent or Sub shall have failed to comply in any material respect with any of its respective covenants or agreements contained in this Agreement required to be complied with prior to the date of such termination, which failure to comply has not been cured within five (5) business days after written notice of such failure to comply, (ii) the shareholders of Parent shall not approve and adopt the Resolutions at the Parent Shareholder Meeting or any adjournment thereof or (iii) the shareholders of Parent shall not approve and adopt the Bye-Law Amendments at the Parent Shareholder Meeting or any adjournment thereof or by written consent;

(d) by either Parent or HIIC, by written notice from the terminating party to the other parties, if there has been (i) a material breach by the other (and/or by Sub if HIIC is the terminating party) of any representation or warranty that is not qualified as to materiality or (ii) a breach by the other (and/or by Sub if HIIC is the terminating party) of any representation or warranty that is qualified as to materiality, in each case which breach has not been cured within five (5) business days after receipt by the breaching party of written notice of the breach;

(e) by either Parent or HIIC, by written notice from the terminating party to the other parties, if there has been (i) a failure by IEL to comply in any material respect with any of its covenants or agreements contained in this Agreement required to be complied with prior to the date of such termination, which failure to comply has not been cured within five (5) business days of written notice of such failure to comply, (ii) a material breach by IEL of any representation or warranty that is not qualified as to materiality or (iii) a breach by IEL of any representation or warranty that is qualified as to materiality, in each case which breach has not been cured within five (5) business days after receipt by the breaching party of written notice of the breach;

(f) by either Parent or HIIC, by written notice from the terminating party to the other parties, if: (i) the Amalgamation has not been effected on or prior to the close of business on June 21, 1997; provided, however, that the right to terminate this Agreement pursuant to this clause (e) shall not be available to any party whose failure to fulfill any obligation of this Agreement has been the cause of, or resulted in, the failure of the Amalgamation to have occurred on or prior to such date or (ii) any court or other Governmental Entity having jurisdiction over a party hereto shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the transactions contemplated by this Agreement and such order, decree, ruling or other action shall have become final and nonappealable.

The right of Parent or HIIC to terminate this Agreement pursuant to this Section 8.1 shall remain operative and in full force and effect regardless of any investigation made by or on behalf of such party, whether prior to or after the execution of this Agreement. Notwithstanding Sections 7.1(f) and 8.1(e), in the event a party has failed to fulfill a material obligation under this Agreement and such failure is the direct or proximate cause of the failure by IEL to satisfy any of the conditions set forth in Section 7.1(f), such party shall not be released from its obligation to consummate the Amalgamation pursuant to Section 7.1(f) and shall not have the right to terminate this Agreement pursuant to Section 8.1(e).

Section 8.2 Effect of Termination. In the event of the termination of this Agreement by either Parent or HIIC as provided in Section 8.1, this Agreement shall forthwith become void without any liability hereunder on the part of HIIC, IEL, Parent, Sub or their respective directors or officers, except for Section 6.2 and Section 6.4, which shall survive any such termination; provided, however, that nothing contained in this Section 8.2 shall relieve any party hereto from any liability for any breach of this Agreement.

Section 8.3 Amendment. This Agreement may be amended by the parties hereto, by or pursuant to action taken by their respective Boards of Directors, at any time before or after approval by the stockholders of Parent of the matters presented to them in connection with the Amalgamation; provided, however, that after any such approval, no amendment shall be made if applicable law would require further approval by such stockholders, unless such further approval shall be obtained. This Agreement shall not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 8.4 Waiver. At any time prior to the Effective Time, the parties hereto may (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any instrument delivered pursuant hereto and (iii) waive compliance with any of the agreements or conditions contained herein which may legally be waived. Any agreement on the part of any party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

ARTICLE IX
GENERAL PROVISIONS

Section 9.1 Survival of Representations and Warranties. The representations and warranties in this Agreement and in each instrument delivered pursuant hereto shall survive the Effective Time (i) for a period of thirty-six (36) months solely with respect to the representations and warranties set forth in Section 2.5 and for (ii) the period terminating on the date of the first report of Parent's independent auditors on the audited financial statements of Parent for the period ending December 31, 1997, with respect to all other representations and warranties in this Agreement and in each instrument delivered pursuant hereto.

Section 9.2 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally, one day after being delivered prepaid to an overnight courier or when telecopied (with a confirmatory copy sent by overnight courier) to the other parties hereto at the following addresses (or at such other address for any party as shall be specified by like notice):

(a) if to Parent or Sub, to:

Sky Games International Ltd.
1115-595 Howe Street
Vancouver, British Columbia V6C 2T5
Attention: Malcolm P. Burke
Facsimile: (604) 689-8678

with a copy to:

Laurence Geller
10 S. Wacker Drive, Suite 4000
Chicago, Illinois 60606
Facsimile: (312) 715-4212

and to:

Altheimer & Gray
10 South Wacker Drive, Suite 4000
Chicago, Illinois 60606
Attention: Phillip Gordon, Esq.
Facsimile: (312) 715-4800

(b) if to IEL, to:

Interactive Entertainment Limited
1023 Cherry Road
Memphis, Tennessee 38117
Attention: Gordon Stevenson
Facsimile: (901) 537-3801

(c) if to HIIC, to:

Harrah's Interactive Investment Company
1023 Cherry Road
Memphis, Tennessee 38117
Attention: John Boushy
Facsimile: (901) 762-8914

with a copy to:

Harrah's Entertainment, Inc.
1023 Cherry Road
Memphis, Tennessee 38117
Attention: John W. McConomy, Esq.
Facsimile: (901) 762-8735

and to:

Fenwick & West LLP
Two Palo Alto Square
Palo Alto, California 94306
Attention: Harry Boadwee, Esq.
Facsimile: (415) 494-1417

Section 9.3 Interpretation. When reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include","includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

Section 9.4 Counterparts. This Agreement may be executed in any number of counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts shall have been signed by each of the parties hereto and delivered to the other parties.

Section 9.5 Entire Agreement; No Third-Party Beneficiaries. This Agreement (and the schedules and attachments to the foregoing) constitutes the entire agreement of the parties hereto and supersede all prior agreements and understandings, both written and oral, among such parties with respect to the subject matter hereof.

Section 9.6 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of Bermuda, regardless of the laws that might otherwise govern under applicable principles of conflict of laws of such country.

Section 9.7 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by operation of law or otherwise by any of the parties hereto without the prior written consent of the other parties.

Section 9.8 Severability. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other terms, provisions and conditions of this Agreement shall nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any party hereto. Upon any determination that any term or other provision hereof is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of such parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement may be consummated as originally contemplated to the fullest extent possible.

Section 9.9 Enforcement of this Agreement. The parties hereto agree that irreparable damage would occur in the event that any of the terms or provisions of this Agreement were not performed in accordance with their specific wording or were otherwise breached. It is accordingly agreed that each of the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States of America or any state having jurisdiction, such remedy being in addition to any other remedy to which any party may be entitled at law or in equity. In any action to enforce its rights hereunder, the prevailing party shall be entitled to recover its reasonable fees and expenses (including reasonable attorney's fees and expenses) from the non-prevailing party.

Section 9.10 Indemnification Obligations of Parent. From and after the Closing, Parent shall indemnify, defend, save and keep HIIC, HIEC and the Affiliates of HIIC (including their respective directors, officers, employees and agents) (each, an "Indemnitee") forever harmless against and from all loss, cost, damage, liability and expense, including reasonable attorney's fees and expenses (collectively, "Damages"), sustained or incurred by any Indemnitee as a result of or arising out of or by virtue of or in connection with any inaccuracy in or breach of any representation or warranty made by Parent or Sub in Article II of this Agreement.

(a) Limitations on Parent's Indemnification Obligations. Parent shall not have any indemnification obligation and no Indemnitee shall be entitled to recover under this Section 9.10, unless a claim for indemnification has been asserted by written notice, specifying the details of the alleged inaccuracy in or breach of any representation or warranty, delivered to Parent on or prior to the end of the period terminating on the date of the first report of Parent's independent auditors on the audited financial statements of Parent for the period ending December 31, 1997; provided, however, that claims under this Section 9.10 with respect to any alleged inaccuracy in or breach of any representation or warranty in Section 2.5 may be asserted by such written notice, delivered to Parent on or prior to the end of the period terminating thirty-six (36) months after the date of the Closing.

(b) Third Party Claims. Within thirty (30) days following the receipt of notice of a Third Party Claim, and in any event within the period necessary to respond to such pleading, if applicable, the party receiving the notice of the Third Party Claim shall (i) notify Parent of the existence of such Third Party Claim setting forth with reasonable specificity the facts and circumstances of which such party has received notice, and (ii) specifying the basis hereunder upon which the Indemnitee's claim for indemnification is asserted. As used herein, "Third Party Claim"

shall mean any claim, action, suit, proceeding, investigation, or like matter which is asserted or threatened by any party other than the parties hereto, their successors and permitted assigns, against an Indemnitee. The failure to deliver the notice described in the first sentence of this Section 9.10(b) within the time frame required shall relieve Parent of any liability with respect to such Third Party Claim. Each Indemnitee shall, upon reasonable notice, tender the defense of a Third Party Claim to Parent if so requested by Parent in writing. Then, except as hereinafter provided, such Indemnitee shall not, and Parent shall, have the right to contest, defend, litigate or settle such Third Party Claim. Each Indemnitee shall have the right to be represented by counsel and to participate at its own expense in any such contest, defense, litigation or settlement conducted by Parent. Parent shall have the exclusive right to contest and defend the Third Party Claim and shall have the right, upon receiving the prior written approval of such Indemnitee (which shall not be unreasonably withheld) and which shall be deemed automatically given if a response has not been received within the ten (10) day period following a written request for such consent), to settle any such matter, either before or after the initiation of litigation, at such time and upon such terms as it deems fair and reasonable. If an Indemnitee is entitled to indemnification against a Third Party Claim, and Parent fails to accept a tender of, or assume, the defense of a Third Party Claim pursuant to this Section 9.10(b), such Indemnitee shall have the right, without prejudice to its right of indemnification hereunder, in its discretion exercised in good faith and upon the advice of counsel, to contest, defend, litigate and settle such Third Party Claim, either before or after the initiation of litigation, at such time and upon such terms as such Indemnitee deems fair and reasonable, provided that written notice of its intention to settle is given to Parent at least ten (10) days prior to settlement. If, pursuant to this Section 9.10(b), such Indemnitee so contests, defends, litigates or settles a Third Party Claim for which it is entitled to indemnification hereunder as hereinabove provided, such Indemnitee shall be reimbursed by Parent for the reasonable attorneys' fees and other expenses of defending, contesting, litigating and/or settling the Third Party Claim which are incurred from time to time, forthwith following the presentation to Parent of itemized bills for said attorneys' fees and other expenses.

(c) Tax and Insurance Benefits. All indemnification or reimbursement payments required pursuant to this Agreement shall be made net of all cash, tax and insurance benefits received by HIIC, HIEC or their Affiliates. In the event that any claim for indemnification asserted hereunder is, or may be, the subject of any insurance coverage or other right to indemnification or contribution from any third person, HIIC, HIEC and their Affiliates shall be required to, and HIIC expressly agrees that it shall, promptly notify the applicable insurance carrier of any such claim or loss and tender defense thereof to such carrier, and shall also promptly notify any potential third party indemnitor or contributor which may be liable for any portion of such losses or claims. HIIC, HIEC and their Affiliates shall be required to, and HIIC expressly agrees that it shall, promptly pursue, at the cost and expense of Parent, such claims diligently and to reasonably cooperate, at the cost and expense of Parent, with each applicable insurance carrier and third party indemnitor or contributor. Notwithstanding Section 9.10(b) and this Section 9.10(c), no Indemnitee shall be required to tender the defense of a Third Party Claim more than once unless so requested by Parent and Parent has acknowledged in writing its liability pursuant to Section 9.10(b) for such Third Party Claim.

(d) Remedies and Undertakings. Except as otherwise specifically provided in this Agreement, the sole and exclusive remedy after the Closing of HIIC, HIEC and their Affiliates under this Agreement for an inaccuracy in or breach of any representation or warranty made by Parent or Sub in Article II of this Agreement shall be restricted to the indemnification rights set forth in this Section 9.10. Prior to the assertion of any claims for indemnification under this Agreement, each Indemnitee shall utilize all reasonable efforts, consistent with normal practices and policies and good commercial practice, to mitigate such Damages. Notwithstanding anything to the contrary contained herein, the foregoing limitations set forth in this Section 9.10(d) shall not apply to actions arising from a default or an alleged default in the performance of any provision of this Agreement (other than a representation or warranty in Article II of this Agreement), and the parties hereto shall have all remedies available to them at law and equity with respect to any such default or alleged default.

Section 9.11 Limitation of Liability. Notwithstanding Section 8.2 and Section 9.10, no party to this Agreement or any of its Affiliates shall be liable to any other party for such damage, loss or injury due to a breach of this Agreement which does not flow directly and immediately from the act or omission of the party or any of its

Affiliates and each party hereto hereby waives all rights to bring any action in respect of such liability. Such limitation of liability shall apply to, among other things, liability arising from tort (including negligence) and liability for lost revenues or profits, and such limitation of liability shall apply even if the party or its Affiliates causing damage, loss or liability to which this limitation of liability applies have been advised of the possibility of such damage, loss or liability.

IN WITNESS WHEREOF, Parent, Sub, IEL and HIIC have caused this Agreement to be executed and attested by their respective officers thereunto duly authorized, all as of the date first written above.

SKY GAMES INTERNATIONAL LTD.

By: /s/ Malcolm Burke
Its: President

Attest:/s/ P.J. Lawless

SGI HOLDING CORPORATION LIMITED

By: /s/ Malcolm Burke
Its: President

Attest:/s/ P.J. Lawless

INTERACTIVE ENTERTAINMENT LIMITED

By: /s/ Malcolm Burke
Its: President

Attest:/s/ P.J. Lawless

HARRAH'S INTERACTIVE INVESTMENT COMPANY

By: /s/ John Boushy
Its: Sr. Vice President

Attest:/s/ P.J. Lawless

Exhibit A

Form of Bye-Law Amendments

SCHEDULE OF
PROPOSED AMENDMENTS TO THE BYE-LAWS OF
SKY GAMES INTERNATIONAL LTD.

The Board of Directors is recommending the following Bye-law amendments to the shareholders for approval at the Special General Meeting:

Bye-Law 1

The following definitions are inserted in alphabetical order in Bye-law 1:

"Affiliates" means, with respect to any person or entity, any person or entity that directly or indirectly Controls such person or entity, or any person or entity which is Controlled by or under common Control with such person or entity.

"Common Shares" has the meaning set forth in Bye-law 3(B).

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

"Director" means a director of the Company.

"fully diluted basis" means at any time that number of (A) Common Shares equal to the sum, without duplication, of (i) the total number of Common Shares then outstanding (other than 3,525,000 shares of Common Shares held in escrow pursuant to that Escrow Agreement dated May 27, 1992, as amended, among Montreal Trust Company of Canada, the Company and certain shareholders), plus (ii) the total number of Common Shares into which all then outstanding Preference Shares or any other shares of the Company are then convertible directly or indirectly, provided that Common Shares issuable upon conversion of Class A Preference Shares shall not be included until such conversion occurs, plus (iii) the total number of Common Shares then issuable directly or indirectly upon exercise of all then outstanding options, warrants (including the warrant for 650,000 Common Shares exercisable at $1 per Common Share issued to Harrah's Interactive Investment Company, a Nevada corporation, and exercisable at the option of the Company), unexercised stock subscriptions, convertible debentures and other convertible securities, plus (B) Other Voting Shares equal to the sum, without duplication (including without duplication of any Common Shares) of (i) the total number of Other Voting Shares then outstanding, plus (ii) the total number of Other Voting Shares into which all then outstanding Preference Shares or any other shares of the Company are then convertible directly or indirectly, plus (iii) the total number of Other Voting Shares then issuable directly or indirectly upon exercise of all then outstanding options, warrants, unexercised stock subscriptions, convertible debentures and other convertible securities.

"HIIC Entities" means Harrah's Interactive Investment Company, a Nevada corporation, and any of its Affiliates owning shares in the Company.

"HIIC Directors" means the Directors appointed pursuant to Bye-law 54(B) or the second sentence of Bye-law 55.

"Other Voting Shares" means shares of the Company having the right to vote for election of directors other than Common Shares or securities convertible into Common Shares.

"Preference Shares" has the meaning set forth in Bye-law 3(B).

"Special Board Majority" means (i) a majority of the Directors voting at a meeting of the Board which also includes a majority of the HIIC Directors then in office or (ii) a written resolution executed by all the members of the Board.

"Special Shareholders Majority" means a majority of the votes cast at a general meeting which also includes the votes attaching to a majority of the Voting Shares of the Company on a fully diluted basis then heir by the HIIC Entities.

"Voting Shares" means Common Shares having the right to vote for election of or to appoint Directors and any shares convertible directly or indirectly into such Common Shares and Other Voting Shares and any shares convertible directly or indirectly into Other Voting Shares.

Bye-Law 3(B)
- ------------

Bye-law 3(B) is replaced with the following:

"The authorised share capital of the Company at the date of the adoption of these Bye-laws is US$550,030 divided into 50,000,000 common shares of par value US$0.01 each (the "Common Shares"), 3,000 non-voting convertible redeemable preference shares of par value US$0.01 each (the "Class A Preference Shares") and 5,000,000 redeemable preference shares of par value US$0.01 each (the "Class B Preference Shares" and together with the Class A Preference Shares, the "Preference Shares")."

Bye-Law 4
- ---------

Delete paragraph (c) and the word "and" immediately preceding it.

Delete the last sentence of Bye-law 4 and insert the following as Bye-law 4A:

The Board shall be authorised to issue from time to time in one or more series the Preference Shares on such terms as it deems appropriate, including, without limitation, the following:

(a) the number of shares of the Preference Shares, less than or equal to the total number of Preference Shares authorised in Bye-law 3(B) for each class of Preference Shares, respectively;

(b) whether dividends, if any, shall be cumulative or noncumulative and the dividend rate of the Preference Shares;

(c) the dates at which dividends, if any, shall be payable;

(d) the redemption rights of the Preference Shares;

(e) the terms and amount of any sinking fund provided for the purchase or redemption of shares of the Preference Shares;

(f) the amounts payable on shares of the Preference Shares in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company;

(g) whether the shares of the Preference Shares shall be convertible into shares of any other class or preference shares, or any other equity security, of the Company or any other company, and, if so, the specification of such other class or preference shares or such other equity security, the conversion price or prices or rate or rates, any adjustments thereof, the date or dates as of which such shares shall be convertible and all other terms and conditions upon which such conversion may be made; and

(h) the voting rights, if any, of the holders of shares of the Preference Shares; provided that the Class A Preference Shares shall be not-voting.

Insert the following as Bye-law 4B:

"(A) Any Common Shares, Preference Shares or shares of any other class shall always (i) be redeemed whenever the HIIC Entities own 10% or more of the Voting Shares on a fully diluted basis and (ii) be subject to redemption by the Company in accordance with the Companies Act, by action of the Board whenever the HIIC Entities own less than 10% of the Voting Shares on a fully diluted basis, if any holder of such shares is a Disqualified Holder or if such action otherwise should be taken pursuant to any applicable provision of law, to the extent necessary to avoid any regulatory sanctions against, or to prevent the loss of, inability to obtain or secure the reinstatement of any license, franchise or entitlement from any governmental agency held by, the Company, any Affiliate of the Company, any entity in which the Company or such Affiliate is an owner or the HIIC Entities or their Affiliates which license, franchise or entitlement is (i) conditioned upon some or all of the holders of the Company's shares of any class or series possessing prescribed qualifications, or (ii) needed to allow the conduct of any portion of the business of the Company or any such Affiliate or other entity or the HIIC Entities or their Affiliates.

The terms and conditions of such redemption shall be as follows:

(a) the redemption price of the Common Shares and the shares convertible into Common Shares to be redeemed pursuant to this Bye-law shall be equal to the Fair Market Value of such shares, and as to such convertible shares, as if any such convertible shares were converted into Common Shares, (or such other redemption price as required by any applicable law, regulation or rule) and the redemption price of shares of the Company of any class (or classes) or series other than Common Shares or shares convertible into Common Shares shall be the Fair Market Value of such shares; provided that in both of the previous cases there shall be excluded any dividends thereon not entitled to be received pursuant to paragraph (e) of this Bye-law;

(b) the redemption price of such shares may be paid only in cash;

(c) if less than all the shares held by Disqualified Holders are to be redeemed, the shares to be redeemed shall be selected in such manner as shall be determined by the Board, which may include selection first of the most recently purchased shares thereof, selection by lot or selection in any other manner determined by the Board;

(d) at least 30 days' written notice of the Redemption Date shall be given to the record holders of the shares selected to be redeemed pursuant to this Bye-law (unless waived in writing by any such holder), provided that the Redemption Date may be the date on which written notice shall be given to record holders if the cash necessary to effect the redemption shall have been deposited in trust for the benefit of such record holders and subject to immediate withdrawal by them upon surrender of the share certificates for their shares to be redeemed together with any other documentation required to effect such redemption; and

(e) from and after the Redemption Date or such earlier date as required by any applicable law, regulation or rule, any and all rights of whatever nature, which may be held by the owners of shares selected for redemption (including without limitation any rights to vote or participate in dividends declared on stock of the same class or series as such shares), shall cease and terminate and they shall thenceforth be entitled only to receive the cash upon redemption.

As used in these Bye-laws:

(i) "Disqualified Holder" shall mean any holder of shares of the Company of any class (or classes) or series: (1) who, either individually or when taken together with any other holders of shares of the Company of any class (or classes) or series is or would reasonably be expected to be determined by any gaming regulatory agency to be unsuitable, or has or would reasonably be expected to have an application for a gaming license, permit or other

necessary regulatory approval rejected, or has or would reasonably be expected to have a previously issued gaming license, permit or other necessary regulatory approval rescinded, suspended, revoked, not renewed or not reinstated, as the case may be, whether or not any of the foregoing is or would reasonably be expected to be final and nonappealable; or (2) whose holding of such shares, either individually or when taken together with the holding of shares of the Company of any class (or classes) or series by any other holder could reasonably be expected to cause the Company (or any other company engaged in the gaming business in any jurisdiction if such holder of shares were a shareholder of that company) to be denied a licence, permit or other necessary regulatory approval to engage in any aspect of the gaming business or the serving or sale of alcoholic beverages in connection with the operation of a gaming business.

(ii) "Fair Market Value" of a share of (1) the Common Shares shall mean the average Closing Price for such share for each of the 45 most recent days of which Common Shares shall have been traded preceding the day on which notice of redemption shall be given pursuant to paragraph (d) of this Bye-law; provided, however, that "Fair Market Value" as to any shareholder who purchased any Common Shares subject to redemption within 120 days of a Redemption Date need not (unless otherwise determined by the Board) exceed the purchase price paid by him for any Common Shares purchased within such 120 days and (2) shares of the Company of any class (or classes) or series other than Common Shares or shares convertible into Common Shares (including, Other Voting Shares) shall be determined by the Board in good faith; provided, however, that "Fair Market Value" as to any shareholder who purchased any such shares subject to redemption within 120 days of the Redemption Date need not (unless otherwise determined by the Board) exceed the purchase price paid by him for any such shares of the Company purchased within such 120 days.

(iii) "Closing Price" on any day means the reported closing sales price or, in case no such sale takes place, the average of the reported closing bid and asked prices on the Composite Tape for the New York Stock Exchange-Listed Stocks, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such shares are listed, or, if such shares are not listed on any such exchange, the highest closing sales price or bid quotation for such shares on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such prices or quotations are available, the fair market value on the day in question as determined by the Board in good faith.

(iv) "Redemption Date" shall mean the date fixed by the Board for the redemption of any shares of the Company pursuant to this Bye-law; provided, however, with respect to any redemption pursuant to Bye-law 4B(A)(i), the Redemption Date shall not be more than 90 days after the date the Board first learned of the existence of a Disqualified Holder.

(v) "Subsidiary" shall mean any company (wherever incorporated), association, partnership or other business entity more than 50% of whose outstanding stock or other ownership interests entitled to vote generally in the election of directors (or their equivalent in such form of entity and under the laws of the jurisdiction of organisation of such entity) is owned by the Company, by one or more Subsidiaries or by the Company and one or more Subsidiaries.

(B) So long as a holder of Preference Shares is not a Disqualified Holder, such Preference Shares shall be redeemed in accordance with the terms set forth in the resolutions adopted by the Board."

Bye-Law 17

Bye-law 17 is amended by deleting the words "within three months" and inserting the words "within three days".

Bye-Law 49

Bye-law 49 is renumbered as "Bye-law 49(A)", and the following words are inserted at the beginning of the second sentence thereof:

"Subject to Bye-law 49(B),".

A new Bye-law 49(B) is inserted as follows:

"Any Shareholder may irrevocably appoint a proxy, and in such case, such proxy shall be irrevocable in accordance with the instrument of appointment and the Shareholder may not vote at any meeting at which the proxy holder is present either in person or pursuant to s. 75A of the Companies Acts."

Bye-Law 52

In Bye-law 52, insert the following words immediately after the words "provided that":

", subject to Bye-law 49(B),".

Bye-Law 53

In Bye-law 53, insert the words "Bye-law 49(B) and" immediately before the words "the Companies Acts".

Bye-Laws 54-56

Bye-laws 54, 55 and 56 are deleted in their entirety and are replaced with the following:

"54(A) Until the HIIC Entities own less than 5% of the Voting Shares on a fully diluted basis, the Board shall consist of 10 Directors who shall, subject to Bye-law 54(B), be elected or appointed, except in the case of a casual vacancy filled pursuant to Bye-law 55, at the annual general meeting or at any special general meeting called for the purpose of electing or appointing Directors and who shall hold office for such term as the Shareholders may determine or, in the absence of such determination, until the next annual general meeting or until their successors are elected or appointed or their office is otherwise vacated. At such time as the HIIC Entities own less than 5% of the Voting Shares on a fully diluted basis, the Board shall consist of such number not less than three as the Company by Resolution may from time to time determine. At least two of the Directors, other than the Directors appointed pursuant to Bye-law 54(B), shall be individuals who are not otherwise officers or employees of the Company.

54(B) At any time at which the HIIC Entities own 10% or more of the Voting Shares on a fully diluted basis, the HIIC Entities shall be entitled to appoint a percentage of Directors which is the same percentage of the size of the entire Board as the number of Voting Shares held by the HIIC Entities is of the total number of Voting Shares on a fully diluted basis (such percentage of Voting Shares owned by and such number of Directors appointed by the HIIC Entities shall be determined as follows: the fractional portion of any percentage of ownership shall be disregarded and whole numbers ending in 5 through 9 shall be rounded up to the next highest multiple of 10 and whole numbers ending 1 through 4 shall be rounded down to the next lowest multiple of 10 (e.g., 24.9% shall be rounded down to 20% and 25.1% shall be rounded up to 30%) (and the resulting percentage shall be multiplied by 10). At any time at which the HIIC Entities own 5% or more, but less than 10%, of the Voting Shares on a fully diluted basis, the HIIC Entities shall be entitled to appoint one Director.

55. The Company in general meeting may authorise the Board to fill any vacancy on the Board other than a vacancy in the office of a Director who was appointed pursuant to Bye-law 54(B). Any vacancy in the office of a Director appointed pursuant to Bye-law 54(B) may be filled by a written resolution deposited at the Registered Office, signed by each of the HIIC Entities holding Voting Shares.

56. The Company may in a Special General Meeting called for that purpose remove a Director provided notice of any such meeting shall be served upon the Director concerned not less than 14 days before the meeting and he shall be entitled to be heard at that meeting and provided further that only the HIIC Entities shall be entitled to vote on any resolution for the removal of an HIIC Director unless the reason for removal is disqualification of such Director under Bye-law 58(f) in which case such Director shall be subject to removal by the Company in accordance with the foregoing provisions of this Bye-law 56. Any vacancy created by the removal of a Director at a Special General Meeting may be filled at the Meeting pursuant to Bye-law 54 by the election of another Director in his place or, in the absence of such election, pursuant to Bye-law 55."

Bye-Law 58

Insert the words "and Officers" after the word "Director" in the heading.

Rename Bye-Law 58 as "Bye-law 58A"

In paragraph (e) of Bye-law 58, replace the words "a Special Resolution of the Company"' with the words "Bye-law 56", and replace the period with a semi-colon.

Insert a new paragraph (f) as follows:

"(f) if he would be a Disqualified Holder if he were to own any shares of the Company".

Insert a new Bye-law "58B" as follows:

The office of any officer shall be vacated upon the happening as to such officer of the events set out in Bye-law 58A (except the events described in paragraph (d) and (e)).

Bye-Law 59

In the first sentence of Bye-law 59, immediately after the words "of the Directors" insert the words, ", other than the HIIC Directors,"; replace the words "a Director may appoint" with the words "an HIIC Director may appoint" and in the second sentence thereof replace the words "may be removed by Resolution of the Company" with the words "may be removed in the same manner as the Director in respect of whom he is appointed in the alternative".

Bye-Law 64

At the beginning of the third sentence of Bye-law 64, insert the words "Subject to Bye-law 71,", and in the fourth sentence insert the words ", subject to Bye-Law 71," immediately after the words "PROVIDED that".

Bye-Law 70

At the beginning of Bye-Law 70(A) and the beginning of the first sentence of Bye-law 70(B) insert the words "Subject to Bye-law 71(B).".

Bye-law 70(B) is amended by the insertion of the following at the end thereof:

Notwithstanding the first sentence of this paragraph and Bye-law 70(C), for so long as the HIIC Entities hold at least 5% but less than 10% of the Voting Shares on a fully diluted basis, the HIIC Directors shall be entitled to elect one member to each of the Board's executive committee, compensation committee and audit committee (or any other committee with powers similar thereto); for such time as the HIIC Entities hold 10% or more of the Voting Shares on a fully diluted basis, the HIIC Directors shall be entitled to appoint a percentage of members to each of the Board's executive committee, compensation committee and audit committee (or any other committee with powers similar

thereto) which is the same percentage of the total number of members of such committee as the percentage of Voting Shares so held by the HIIC Entities is of the total number of Voting Shares on a fully diluted basis (such number to be determined follows: the fractional portion of any percentage of ownership shall be disregarded and whole numbers ending in 5 through 9 shall be rounded up to the next highest multiple of 10 and whole numbers ending 1 through 4 shall be rounded down to the next lowest multiple of 10 (e.g., 24.9% shall be rounded down to 20% and 25.1% shall be rounded up to 30%) and the fractional portion of the number of members shall be rounded up to the nearest whole number (e.g., 30% of a committee of 4 members would result in the right to appoint 2 members of such committee)).

Bye-law 70(C) is amended by the substitution of the word "Affiliate" for the word "affiliate".

Bye-Law 71

Bye-law 71 is renumbered "Bye-law 71(A)", and at the beginning of the second sentence thereof, the following shall be inserted: "Save as otherwise provided in these Bye-laws,".

Insert a new Bye-law "71(B)" as follows:

At any time that the HIIC Entities own 20% or more of the Voting Shares on a fully diluted basis, any of the following actions by the Company would require the approval by a Special Board Majority and a Resolution:

(i) the amalgamation, merger or consolidation of the Company; and

(ii) the amendment of these Bye-laws, including, without limitation, Bye-laws 4B, 54, 55, 56, 58A, 58B, 71(B) or 71(C), in a manner that would have a material adverse effect on the rights of the HIIC Entities hereunder.

Insert a new Bye-law "71(C)" as follows:

At any time that the HIIC Entities own 20% or more of the Voting Shares of the Company on a fully diluted basis, any of the following actions by the Company would require the approval by a Special Shareholder Majority:

(i) the winding-up or dissolution of the Company; and

(ii) appointment of the Company's independent auditors.

Bye-Law 72

Bye-law 72 is amended by deleting the words "word of mouth" and substituting therefor the word "verbally".

Bye-Law 73

Bye-Law 73 is amended by the deletion of the words "may be fixed by the Board and, unless so fixed at any other number".

Bye-Law 95

In Bye-law 95 insert the words: "or to vote at" before the words "general meetings".

Bye-Law 107

Bye-law 107 is amended by the insertion of the words "Subject to Bye-law 71(B)," at the beginning thereof and by the deletion of the words "by Special Resolution at which time" and substituting therefor the words ", and upon such confirmation".

EXHIBIT 2

SHAREHOLDER RIGHTS AGREEMENT

This Agreement is dated as of 17 June, 1997 between Sky Games International Ltd. ("Sky Games"), a Bermuda exempted company, and Harrah's Interactive Investment Company, a Nevada corporation ("HIIC").

WHEREAS:

A. Interactive Entertainment Limited ("IEL"), a Bermuda exempted company, proposes to amalgamate with and into SGI Holding Corporation Limited ("SGIHC"), a Bermuda exempted company (the "Amalgamation"), pursuant to a Plan and Agreement of Merger and Amalgamation dated 13 May, 1997 (the "Amalgamation Agreement"), whereby each issued and outstanding share of common stock, US $1.00 par value per share of IEL will be cancelled and, in respect of such shares owned by HIIC, which will be converted into shares of common stock of CDN $.01 par value each of the Sky Games;

B. SGIHC will amalgamate with and into Sky Games immediately after the Amalgamation (the "Parent Amalgamation"; the company continuing therefrom is hereafter referred to as the "Amalgamated Company").

NOW, THEREFORE, in consideration of the premises, representations, warranties and agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, each party hereto agrees as follows:

I. TERMS

Capitalised terms not defined herein shall have the same meanings ascribed to them as set out in the Bye-laws of Sky Games as in effect upon the closing of the Amalgamation (the "Bye-laws").

II. BOARD APPROVAL RIGHTS

(A) As long as the HIIC Entities own 20% or more of the outstanding Voting Shares of the Amalgamated Company on a "fully diluted basis" (as such term is defined in the Bye-laws), none of the following actions shall be taken by the Amalgamated Company unless the same shall first be approved by a Special Board Majority:

(a) the sale of all or any material portion of the assets of the Amalgamated Company together with any corporation, partnership, joint venture or other legal entity of which the Amalgamated Company (either alone or through or together with any other of its Subsidiaries), owns, directly or indirectly, fifty percent (50%) or more of the capital stock or other equity interest the holders of which are generally entitled to vote with respect to the election of directors or other managing authority and/or other matters to be

voted on in such corporation, partnership, joint venture or other legal entity (each a "Subsidiary").

(b) the incurrence, renewal, refinancing, prepayment or amendment of the terms of indebtedness of the Amalgamated Company together with its Subsidiaries in excess of US$5 million in any one fiscal year;

(c) the Amalgamated Company or any of its Subsidiaries entering into any material joint venture or partnership agreement outside of the Amalgamated Company's scope of business as approved by the Board of Directors of Sky Games prior to the Amalgamation;

(d) any material acquisition of assets by the Amalgamated Company or any of its Subsidiaries, including by lease or otherwise (other than by merger, consolidation or amalgamation) and other than pursuant to a previously approved budget or plan, or the acquisition by the Amalgamated Company or any of its Subsidiaries of the stock of another entity, in each case involving an acquisition valued at US$5 million or more;

(e) any material change in the nature of the business conducted by the Amalgamated Company or any of its Subsidiaries;

(f) any material amendments to the MIP (as defined in the Amalgamation Agreement) for 12 months following the closing of the Parent Amalgamation;

(g) the adoption of any stock option plans for greater than 5% of the then outstanding Common Shares of the Amalgamated Company on a fully-diluted basis other than the MIP in any one fiscal year;

(h) material changes in accounting policies; and

(i) the creation or adoption of any shareholder rights plan.

(B) As long as the HIIC Entities own 10% of the outstanding Voting Shares of the Amalgamated Company on a fully diluted basis, none of the following actions shall be taken by the Amalgamated Company unless the same shall first be approved by a Special Board Majority:

(a) any change in or conduct of the Amalgamated Company's or any of its Subsidiaries' business or proposed business (including, but not limited to, the terms of repurchase or redemption of any debt from any holder thereof if such holder would be a Disqualified Holder (as defined in the

Bye-laws if such Person held shares of the Amalgamated Company) that would constitute or result in; or (b) any action or inaction of or by the Amalgamated Company or any of its Subsidiaries which HIIC or the Affiliates of HIIC determine in their reasonable business judgment would result in, in the case of either (a) or (b), any actual or threatened disciplinary action or any actual or threatened regulatory sanctions with respect to or affecting the loss of, or the inability to obtain or failure to secure the reinstatement of, any registration, certification, license or other regulatory approval held by HIIC or the Affiliates of HIIC in any jurisdiction in which HIIC or any of the Affiliates of HIIC are actively conducting business or as to which any of them has received final approval or authorisation or proceed, even on a preliminary basis, from its respective board of directors (or any appropriate committee established by such board of directors) of plans to conduct business (each such change, conduct, action or inaction referred to herein as a "Disqualifying Action"); provided, the reasonable business judgment to be exercised by HIIC and the Affiliates of HIIC in determining whether a Disqualifying Action has occurred or would result need not involve any consideration of the effect of the Disqualifying Action on the Amalgamated Company alone or together with its Subsidiaries because the purpose of the protections afforded by the determination of a Disqualifying Action is for the benefit of the separate businesses and investments of HIIC and the Affiliates of HIIC.

III. ENTIRE AGREEMENT; AMENDMENT

This Agreement constitutes the entire agreement between the parties in respect of the subject matter hereof. No provision of this Agreement may be amended or waived except by an instrument in writing executed by the parties.

IV. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of Bermuda, regardless of the laws that might otherwise govern under applicable principles of conflict of laws of such country, and the parties hereby submit expressly to the non-exclusive jurisdiction of the courts of Bermuda.

V. HEADINGS

The headings appearing above certain paragraphs of this Agreement are for convenience only and shall not affect the construction or interpretation hereof.

VI. ASSIGNMENT

Neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by operation of law or otherwise by any party hereto without the prior written consent of the other party, and any purported assignment without such consent shall be void; provided that HIIC may assign this Agreement to any of its Affiliates without consent. Subject to the foregoing sentence, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties

VII. SEVERABILITY

If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other terms, provisions and conditions of this Agreement shall nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any party hereto. Upon any determination that any term or other provision hereof is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of such parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement may be consummated as originally contemplated to the fullest extent possible.

VIII. ENFORCEMENT OF THIS AGREEMENT

The parties hereto agree that irreparable damage would occur in the event that any of the terms or provisions of this Agreement were not performed in accordance with their specific wording or were otherwise breached. It is accordingly agreed that each of the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States of America or any state having jurisdiction, such remedy being in addition to any other remedy to which any party may be entitled at law or in equity. In any action to enforce its rights hereunder, the prevailing party shall be entitled to recover its reasonable fees and expenses (including reasonable attorney's fees and expenses) from the non-prevailing party.

IX. COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which shall be considered one and the same agreement.

IN WITNESS WHEREOF the parties have caused this Agreement to be duly executed and delivered.

SIGNED by)
for and on behalf of SKY GAMES) /s/ Laurence Geller
INTERNATIONAL LTD. in the)
presence of)

SIGNED by)
for and on behalf of HARRAH'S) /s/ John M. Boushy
INTERACTIVE INVESTMENT)
COMPANY in the presence of)

EXHIBIT 3

EXECUTION COPY

REGISTRATION AND PREEMPTIVE RIGHTS AGREEMENT

THIS REGISTRATION AND PREEMPTIVE RIGHTS AGREEMENT (this "Agreement"), dated as of June 17, 1997, is entered into among Sky Games International Ltd., a Bermuda exempted company (the "Company"), and Harrah's Interactive Investment Company, a Nevada corporation ("HIIC").

R E C I T A L S:

WHEREAS, pursuant to a Plan and Agreement of Merger and Amalgamation dated as of May 13, 1997 (the "Amalgamation Agreement") and the conversion of amounts owed under a Funding Agreement dated as of May 13, 1997 (the "Funding Agreement"), HIIC has acquired from the Company shares of Company Common Stock (as defined in Section 1(e)) and may acquire certain additional shares of Company Common Stock; and

WHEREAS, the Company and HIIC desire to provide a mechanism for the registration of the Company Common Stock on the terms and conditions set forth herein;

A G R E E M E N T:

NOW, THEREFORE, in consideration of the premises and the representations, warranties and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

SECTION 1. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

(a) the term "Additional Piggyback Sellers" shall have the meaning assigned thereto in Section 3(b) of the Agreement;

(b) the term "Affiliate" means any Person which Controls a party to this Agreement, which that party Controls or which is under common Control with that party;

(c) the term "Amalgamation Shares" means the shares of Company Common Stock issuable to HIIC and/or its Affiliates under the Amalgamation Agreement;

(d) the term "B/EA" shall have the meaning assigned thereto in Section 8(d) of this Agreement;

(e) the term "Commission" shall have the meaning assigned thereto in Section 2(c) of this Agreement;

(f) the term "Company Common Stock" means the common stock, par value US$.01 per share, of the Company;

(g) the term "Control" means the power, direct or indirect, to direct or cause the direction of the management and policies of a Person through voting securities, contract or otherwise;

(h) the term "Conversion Shares" means the shares of Company Common Stock issuable upon conversion of indebtedness under the Funding Agreement;

(i) the term "Demand" shall have the meaning assigned thereto in Section 2(a) of this Agreement;

(j) the term "Demand Registration" shall have the meaning assigned thereto in Section 2(a) of this Agreement;

(k) the term "Demanding Sellers" shall have the meaning assigned thereto in Section 2(e) of this Agreement;

(l) the term "Disqualifying Action" means (1) any change in or conduct of the Company's or any of its Subsidiaries' business or proposed business (including, but not limited to, the terms of repurchase or redemption of any debt from any holder thereof if such holder would be a Disqualified Holder (if such Person held shares of the Company)) that would constitute or result in, or (2) any action or inaction of or by the Company or any of its Subsidiaries' which HIIC or the Affiliates of HIIC determine in their reasonable business judgment would result in, in the case of either (1) or (2), any actual or threatened disciplinary action or any actual or threatened regulatory sanctions with respect to or affecting the loss of, or the inability to obtain or failure to secure the reinstatement of, any registration, certification, license or other regulatory approval held by HIIC or the Affiliates of HIIC in any jurisdiction in which HIIC or any of the Affiliates of HIIC are actively conducting business or as to which any of them has received final approval or authorization to proceed, even on a preliminary basis, from its respective board of directors (or any appropriate committee established by such board of directors) of plans to conduct business; provided, the reasonable business judgment to be exercised by HIIC and its Affiliates in determining whether a Disqualifying Action has occurred or would result need not involve any consideration of the effect of the Disqualifying Action on the Company, alone or together with any of its Subsidiaries, because the purpose of the protections afforded by the determination of a Disqualifying Action is for the benefit of the separate businesses and investments of HIIC and its Affiliates;

(m) the term "Disqualified Holder" means any holder of shares of the Company of any class (or classes) or series (1) who, either individually or when taken together with any other holders of shares of the Company of any class (or classes) or series is or would reasonably be expected to be determined by any gaming regulatory agency to be unsuitable, or has or would reasonably be expected to have an application for a gaming license, permit or other necessary regulatory approval rejected, or has or would reasonably be expected to have a previously issued gaming license, permit or other necessary regulatory approval rescinded, suspended, revoked, not renewed or not reinstated, as the case may be, whether or not any of the foregoing is or would reasonably be expected to be final and nonappealable or (2) whose holding of such shares, either individually or when taken together with the holding of shares of the Company of any class (or classes) or series by any other holder could reasonably be expected to cause the Company (or any other company engaged in the gaming business in any jurisdiction if such holder of shares were a shareholder of that company) to be denied a licence, permit or other necessary regulatory approval to engage in any aspect of the gaming business or the serving or sale of alcoholic beverages in connection with the operation of a gaming business;

(n) the term "fully diluted basis" means, at any time, that number of (A) shares of Company Common Stock equal to the sum, without duplication, of (i) the total number of shares of Company Common Stock then outstanding (other than 3,525,000 shares of shares of Company Common Stock held in escrow pursuant to that Escrow Agreement dated May 27, 1992, as amended, among Montreal Trust Company of Canada, the Company and certain shareholders), plus (ii) the total number of shares of Company Common Stock into which all then outstanding Preference Shares (as defined in the Bye-Laws) of the Company or any other shares of the Company are then convertible directly or indirectly, provided that shares of Company Common Stock issuable upon conversion of Class A Preference Shares of the Company shall not be included

until such conversion occurs, plus (iii) the total number of shares of Company Common Stock then issuable directly or indirectly upon exercise of all then outstanding options, warrants (including the commitment for 650,000 shares of Company Common Stock exercisable at $1 per share of Company Common Stock issued to HIIC and exercisable at the option of the Company), unexercised stock subscriptions, convertible debentures and other convertible securities, plus (B) Other Voting Shares equal to the sum, without duplication (including without duplication of any shares of Company Common Stock) of (i) the total number of Other Voting Shares then outstanding, plus (ii) the total number of Other Voting Shares into which all then outstanding preference shares of the Company or any other shares of the Company are then convertible directly or indirectly, plus (iii) the total number of Other Voting Shares then issuable directly or indirectly upon exercise of all then outstanding options, warrants, unexercised stock subscriptions, convertible debentures and other convertible securities;

(o) the term "HIIC Piggyback Seller" shall have the meaning assigned thereto in Section 3(b) of this Agreement;

(p) the term "Internal Expenses" shall have the meaning assigned thereto in Section 7 of this Agreement;

(q) the term "Maximum Demand Number" shall have the meaning assigned thereto in Section 2(e) of this Agreement;

(r) the term "Maximum Piggyback Number" shall have the meaning assigned thereto in Section 3(b) of this Agreement;

(s) the term "Other Demand Rights" shall have the meaning assigned thereto in Section 3(b) of this Agreement;

(t) the term "Other Demanding Sellers" shall have the meaning assigned thereto in Section 3(b) of this Agreement;

(u) the term "Other Voting Shares" means shares of the Company having the right to vote for election of directors other than Company Common Stock or securities convertible into Company Common Stock;

(v) the term "Person" means any individual, partnership, limited partnership, corporation, limited liability company, association, joint stock company, trust, joint venture or unincorporated organization, or the United States of America, Bermuda or any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government or other entity, and shall include any successor (by merger or otherwise) of such entity;

(w) the term "Piggyback Notice" shall have the meaning assigned thereto in Section 3(a) of this Agreement;

(x) the term "Piggyback Registration" shall have the meaning assigned thereto in Section 3(a) of this Agreement;

(y) the term "Primary Offering" shall have the meaning assigned thereto in Section 3(b) of this Agreement;

(z) the term "Registrable Securities" means (i) the Amalgamation Shares, the Conversion Shares, the Warrant Shares and shares received pursuant to Section 8 of this Agreement and (ii) securities issued or issuable with respect to the Amalgamation Shares, the Conversion Shares and the Warrant Shares (or other Registrable Securities by virtue of this clause (ii)) by way of a dividend, other distribution, stock split, combination of shares, recapitalization, reorganization, reclassification, merger, consolidation, compulsory share exchange or any transaction or series of related transactions in which shares of Company Common Stock or Registrable Securities are changed into, converted into or exchanged for other securities; provided, as to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (i) a registration statement registering such securities under the Securities Act has been declared effective and such securities have been sold or otherwise transferred by the holder thereof pursuant to such registration statement, (ii) such securities are sold in compliance with Rule 144 or (iii) such securities are transferred to any Person which is not an Affiliate of HIIC;

(aa) the term "Registration Expenses" shall have the meaning assigned thereto in Section 7 of this Agreement;

(bb) the term "Rule 144" means Rule 144 (or any successor provisions) promulgated under the Securities Act;

(cc) the term "Securities Act" shall have the meaning assigned thereto in Section 2(a) of this Agreement;

(dd) the term "Subsidiary" means any corporation, partnership, joint venture or other legal entity of which the Company or HIIC, as the case may be (either alone or through or together with any other of its Subsidiaries), owns, directly or indirectly, fifty percent (50%) or more of the capital stock or other equity interests the holders of which are generally entitled to vote with respect to the election of directors or other managing authority and/or other matters to be voted on in such corporation, partnership, joint venture or other legal entity;

(ee) the term "Trading Price" means the average of the mean of the bid and ask prices of the Company Common Stock on a single trading day as reported on the NASDAQ SmallCap Market or any other securities exchange or over-the-counter market on which or through which Company Common Stock may then be listed or quoted;

(ff) the term "Voting Shares" means Company Common Stock having the right to vote for election of or to appoint Directors and any shares convertible, directly or indirectly, into such Company Common Stock and Other Voting Shares and any shares convertible directly or indirectly into Other Voting Shares; and

(gg) the term "Warrant Shares" means the shares of Company Common Stock issuable to HIIC and/or its Affiliates under the Warrant Agreement dated May 13, 1997 and the exercise by the Company of the equity purchase commitment by HIIC in the Funding Agreement.

SECTION 2. Demand Registrations.

(a) Requests for Registration. Subject to the limitations set forth in paragraph (d) below, at any time and from time to time after the date hereof HIIC and its Affiliates shall be entitled to make written requests of the Company (each such request being a "Demand") for registration under the Securities Act of 1933, as amended (the "Securities Act"), of all or part of the Registrable Securities (a "Demand Registration"). Such Demand shall specify the aggregate number and kind of Registrable Securities requested to be registered.

(b) Number of Demand Registrations. HIIC and its Affiliates shall be entitled to two (2) Demand Registrations.

(c) Satisfaction of Obligations. Subject to Section 4, a registration shall not be treated as a Demand Registration until (i) the applicable registration statement under the Securities Act has been filed with the Securities and Exchange Commission (the "Commission") with respect to such Demand Registration, (ii) such registration statement shall have been maintained continuously effective for a period of at least thirty (30) days (ninety (90) days in the event of a best efforts underwriting pursuant to Section 2(d)(ii)) or such shorter period as when all Registrable Securities included therein have been sold thereunder in accordance with the manner of distribution set forth in such registration statement and (iii) the number or amount of Registrable Securities sold pursuant to such registration shall equal or exceed eighty percent (80%) of the Registrable Securities as to which HIIC and/or its Affiliates requested registration.

(d) Restrictions on Demand Registrations. The Company shall not be obligated to file any Demand Registration:

(i) prior to June 30, 1998 for an aggregate number of Registrable Securities in excess of one million (1,000,000) shares (as adjusted for stock splits, dividends, reclassifications, etc.), unless the Company receives the written opinion of its investment bank at the time that the Trading Price of the Company Common Stock would not fall by more than twenty-five percent (25%) for more than fifteen (15) consecutive trading days as a result of such sale, in which case, a Demand could be brought for such aggregate number of Registrable Shares as would not, in such investment bank's opinion, cause the Trading Price to fall below such level;

(ii) unless the method of distribution is pursuant to a so-called "firm commitment" underwritten registration to be managed and administered by an underwriter selected by the Board of Directors of the Company; provided, however, in the event the Company cannot reach an agreement with an underwriter to underwrite a registration on a firm commitment basis, in such circumstance only, the method of distribution may be a "best efforts" underwritten registration to be managed and administered by an underwriter selected by the Board of Directors of the Company; or

(iii) within one hundred eighty (180) days after the effective date of a so-called "firm commitment" underwritten registration in which all holders of Registrable Securities were given so-called "piggyback" rights pursuant to Section 3 hereof, unless the number or amount of Registrable Securities sold pursuant to such registration is less than eighty percent (80%) of the Registrable Securities as to which HIIC and/or its Affiliates requested registration.

In addition, the Company shall be entitled to postpone (upon written notice to HIIC) the filing or the effectiveness of a registration statement in respect of a Demand for up to one hundred twenty (120) days (but

no more than once in any consecutive eight (8) months) after the date of receipt of a Demand Notice if the Company's Board of Directors determines that effecting the Demand Registration in respect of such Demand would (i) have a material adverse effect on any proposal or plan by the Company to engage in any public debt or equity financing, acquisition or disposition of assets or any merger, consolidation, tender offer or other similar transaction or (ii) require disclosure of a previously undisclosed material development involving the Company which disclosure would have a material adverse effect on the Company or its prospects. In the event the Company receives a request prior to June 30, 1998 to file a Demand Registration for an aggregate number of Registrable Securities in excess of one million (1,000,000) shares (as adjusted for stock splits, dividends, reclassifications, etc.), the Company shall request its investment bank to conduct the analysis set forth in paragraph (d)(i) above, and in the event such investment bank does not issue within fifteen (15) business days after the date of receipt of a Demand Notice by the Company its written opinion that the sale would cause the Trading Price of the Company Common Stock to fall by more than twenty-five percent (25%) for more than fifteen (15) consecutive trading days, then it shall be presumed for purposes of this paragraph (d) that such investment bank was of the opinion that the sale would not cause the Trading Price of the Company Common Stock to fall by more than twenty-five percent (25%) for more than fifteen (15) consecutive trading days

(e) Participation in Demand Registrations. If, in connection with a Demand Registration, the managing underwriter advises the Company and the holders of the Registrable Securities sought to be included in such Demand Registration in writing that, in its opinion, the marketability of the Registrable Securities sought to be sold pursuant thereto would be adversely affected by the inclusion of both the Registrable Securities and, if authorized pursuant to this paragraph, other securities of the Company, in each case, sought to be registered in connection with such Demand Registration, then the Company shall include in the registration statement applicable to such Demand Registration only such securities as the Company and the holders of Registrable Securities sought to be registered therein ("Demanding Sellers") are advised in writing by such underwriter can be sold without such an effect (the "Maximum Demand Number"), as follows and in the following order of priority:

(i) first, the number of Registrable Securities sought to be registered by each Demanding Seller, pro rata in proportion to the number of Registrable Securities sought to be registered by all Demanding Sellers; and

(ii) second, if the number of Registrable Securities to be included under clause (i) next above is less than the Maximum Demand Number, the number of securities sought to be included by each other seller, pro rata in proportion to the number of securities sought to be sold by all such other sellers, which in the aggregate, when added to the number of securities to be included pursuant to clause (i) next above, equals the Maximum Demand Number.

SECTION 3. Piggyback Registrations.

(a) Right to Piggyback. At any time from and after the date hereof for so long as HIIC and its Affiliates collectively own five percent (5%) or more of the outstanding Voting Shares of the Company, on a fully diluted basis, whenever the Company proposes to register any of its equity securities under the Securities Act (other than pursuant to a Demand Registration or on a Form S-4 or S-8 (or any successor form)) (a "Piggyback Registration"), the Company shall give all holders of Registrable Securities prompt written notice thereof (but not less than thirty (30) days prior to the filing by the Company with the Commission of any registration statement with respect thereto). Such notice (a "Piggyback Notice") shall specify, at a minimum, to the extent known, the number and kind of securities proposed to be registered, the proposed date

of filing of such registration statement with the Commission, the proposed means of distribution, the proposed managing underwriter or underwriters (if any and if known), and a good faith estimate by the Company of the proposed minimum offering price of such securities, as such price is proposed to appear on the facing page of such registration statement. Upon the written request of a holder of Registrable Securities given within ten (10) business days of such holder's receipt of the Piggyback Notice (which written request shall specify the number and kind of Registrable Securities intended to be disposed of by such holder and the intended method of distribution thereof), the Company shall include in such registration all Registrable Securities with respect to which the Company has received such written requests for inclusion; provided that such holder sells such Registrable Securities only in accordance with the method of distribution selected by the Company or in accordance with any other method of distribution which may be approved by the managing underwriter of such offering.

(b) Priority on Piggyback Registrations. If, in connection with a Piggyback Registration, any managing underwriter (or, if such Piggyback Registration is not an underwritten offering, a nationally recognized independent underwriter approved by the Board of Directors of the Company) advises the Company and the holders of the Registrable Securities to be included in such Piggyback Registration, that, in its opinion, the inclusion of all the securities sought to be included in such Piggyback Registration by the Company, any Persons who have sought to have shares registered thereunder pursuant to rights to demand (other than pursuant to so-called "piggyback" or other incidental or participation registration rights) such registration (such demand rights being "Other Demand Rights" and such Persons being "Other Demanding Sellers"), any holders of Registrable Securities seeking to sell such securities in such Piggyback Registration ("HIIC Piggyback Sellers") and any other proposed sellers ("Additional Piggyback Sellers"), in each case, if any, would adversely affect the marketability of the securities sought to be sold pursuant thereto, then the Company shall include in the registration statement applicable to such Piggyback Registration only such securities as the Company and the HIIC Piggyback Sellers are so advised by such underwriter can be sold without such an effect, which may exclude any class of Registrable Securities if, in the judgment of such underwriter, the inclusion of such Registrable Securities would adversely affect the marketability of the securities sought to be sold pursuant thereto (the "Maximum Piggyback Number"), as follows and in the following order of priority:

(i) if the Piggyback Registration is an offering on behalf of the Company and not any Person exercising Other Demand Rights (whether or not other Persons seek to include securities therein pursuant to so-called "piggyback" or other incidental or participatory registration rights) (a "Primary Offering"), then (A) first, such number of securities to be sold by the Company as the Company shall have determined, (B) second, if the number of securities to be included under clause (A) next above is less than the Maximum Piggyback Number, the number of Registrable Securities of each HIIC Piggyback Seller, pro rata in proportion to the number of securities sought to be registered by all HIIC Piggyback Sellers, which in the aggregate, when added to the number of securities to be registered under clause (A) next above, equals the Maximum Piggyback Number and (C) third, if the number of securities to be included under clauses (A) and (B) next above is less than the Maximum Piggyback Number, the number of securities of each Additional Piggyback Seller, pro rata in proportion to the number of securities sought to be registered by all such Additional Piggyback Sellers, which in the aggregate, when added to the number of securities to be registered under clauses (A) and (B) next above, equals the Maximum Piggyback Number;

(ii) if the Piggyback Registration is an offering other than pursuant to a Primary Offering, then (A) first, such number of securities sought to be registered by each Other

Demanding Seller, pro rata in proportion to the number of securities sought to be registered by all such Other Demanding Sellers, (B) second, if the number of securities included under clause (A) next above is less than the Maximum Piggyback Number, the number of securities sought to be registered by each HIIC Piggyback Seller, pro rata in proportion to the number of securities sought to be registered by all HIIC Piggyback Sellers, which in the aggregate, when added to the number of securities to be registered pursuant to clause (A) next above, equals the Maximum Piggyback Number and (C) third, if the number of securities to be included under clauses (A) and (B) next above is less than the Maximum Piggyback Number, the number of securities of each Additional Piggyback Seller, pro rata in proportion to the number of securities sought to be included by all such Additional Piggyback Sellers, which in the aggregate, when added to the number of securities to be registered under clauses (A) and (B) next above, equals the Maximum Piggyback Number.

(c) Withdrawal by the Company. If, at any time after giving written notice of its intention to register any of its securities as set forth in Section 3(a) and prior to the time the registration statement filed in connection with such registration is declared effective, the Company shall determine for any reason not to register such securities, the Company may, at its election, give written notice of such determination to each holder of Registrable Securities and thereupon shall be relieved of its obligation to register any Registrable Securities in connection with such particular withdrawn or abandoned registration.

SECTION 4. Withdrawal Rights. Any holder of Registrable Securities having notified or directed the Company to include any or all of its Registrable Securities in a registration statement under the Securities Act (whether pursuant to Section 2 or 3 hereof) shall have the right to withdraw any such notice or direction with respect to any or all of the Registrable Securities designated for registration thereby by giving written notice to such effect to the Company prior to the effective date of such registration statement. In the event of any such withdrawal, the Company shall not include such Registrable Securities in the applicable registration and such Registrable Securities shall continue to be Registrable Securities hereunder. No such withdrawal shall affect the obligations of the Company with respect to the Registrable Securities not so withdrawn. Any registration statement not filed or withdrawn in accordance with an election by the Company or the holders of Registrable Securities shall not be counted as a Demand for purposes of Section 2 hereof.

SECTION 5. Holdback Agreements. Each holder of Registrable Securities agrees, at all times the holders of Registrable Securities have piggyback rights pursuant to Section 3 hereof, not to effect any public sale or distribution (including sales pursuant to Rule 144) of equity securities of the Company, or any securities convertible into or exchangeable or exercisable for such securities, during (a) the seven (7) days immediately prior to the effective date of any Demand Registration or Piggyback Registration and (b) the one hundred twenty (120)-day period beginning on the effective date of any (i) Primary Offering in which holders of Registrable Securities had piggyback rights pursuant to Section 3 hereof (provided, no holder of Registrable Securities shall be subject to the restrictions pursuant to this clause (i) for any more than one hundred twenty (120) days in any one hundred eighty (180) day period and whether or not, in the case of a Piggyback Registration, any Registrable Securities are included therein), (ii) Demand Registration or (iii) any Piggyback Registration (other than a Primary Offering), unless the number or amount of Registrable Securities sold pursuant to such Piggyback Registration is less than eighty percent (80%) of the Registrable Securities as to which HIIC and/or its Affiliates requested registration (in each case, except as part of such registration and, or, in each case of clauses (i), (ii) and (iii), if later, the date of any underwriting agreement with respect thereto. The Company agrees to use it best efforts to cause a provision identical to the foregoing to be included in all registration rights which it grants in the future.

SECTION 6. Registration Procedures. Whenever the holders of Registrable Securities have requested that any Registrable Securities be registered pursuant to this Agreement (whether pursuant to Section 2 or Section 3 of this Agreement), the Company shall use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof and, in connection therewith, the Company shall as expeditiously as possible:

(a) prepare and file with the Commission a registration statement with respect to such Registrable Securities, on any form for which the Company then qualifies and which counsel for the Company shall deem appropriate for the sale of such Registrable Securities in accordance with the intended method of distribution thereof, and use its best efforts to cause such registration statement to become effective;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a continuous period of not less than thirty (30) days (ninety (90) days in the event of a best efforts underwriting pursuant to Section 2(d)(ii)) (or, if earlier, until all Registrable Securities included in such registration statement have been sold thereunder in accordance with the manner of distribution set forth therein) and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof as set forth in such registration statement (including, without limitation, by incorporating in a prospectus supplement or post-effective amendment, at the request of a seller of Registrable Securities, the terms of the sale of such Registrable Securities);

(c) before filing with the Commission any such registration statement or prospectus or any amendments or supplements thereto, the Company shall furnish to counsel selected by HIIC and/or its Affiliates drafts of all such documents proposed to be filed and provide such counsel with a reasonable opportunity for review thereof, such review to be conducted with reasonable promptness;

(d) promptly (i) notify the selling holders of Registrable Securities of each of (x) the filing and effectiveness of the registration statement and prospectus and any amendments or supplements thereto, (y) the receipt of any comments from the Commission or any state securities law authorities or any other governmental authorities with respect to any such registration statement or prospectus or any amendments or supplements thereto and (z) any oral or written stop order with respect to such registration, any suspension of the registration or qualification of the sale of such Registrable Securities in any jurisdiction or any initiation or threatening of any proceedings with respect to the foregoing and (ii) use its best efforts to obtain the withdrawal of any order suspending the registration or qualification (or the effectiveness thereof) or suspending or preventing the use of any related prospectus in any jurisdiction with respect thereto;

(e) furnish to each seller of Registrable Securities and counsel for the foregoing, a conformed copy of such registration statement and each amendment and supplement thereto (in each case, including all exhibits thereto and documents incorporated by reference therein) and such additional number of copies of such registration statement, each amendment and supplement thereto, the prospectus (including each preliminary prospectus) included in such registration statement and prospectus supplements and all exhibits thereto and documents incorporated by reference therein and such other documents as such seller or counsel may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such seller, the use of each of which thereby and therefor to which the Company hereby consents;

(f) use its best efforts to register or qualify such Registrable Securities under such securities or "blue sky" laws of such jurisdictions as any seller reasonably requests and do any and all other

acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller and keep such registration or qualification in effect for so long as the registration statement remains effective under the Securities Act (provided that the Company shall not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph or (ii) subject itself to taxation in any such jurisdiction where it would not otherwise be subject to taxation but for this paragraph);

(g) notify each seller of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon the discovery that, or of the happening of any event as a result of which, the registration statement covering such Registrable Securities, as then in effect, contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or any fact necessary to make the statements therein not misleading, and promptly prepare and furnish to each such seller a supplement or amendment to the prospectus contained in such registration statement so that such Registration Statement shall not, and such prospectus as thereafter delivered to the purchaser of such Registrable Securities shall not, contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or any fact necessary to make the statements therein not misleading;

(h) cause all such Registrable Securities to be listed on each securities exchange and included in each established over-the-counter market on which or through which securities of the same class of the Company are then listed or traded and, if not so listed or traded, to be listed on the National Association of Securities Dealers Automated Quotation system ("NASDAQ");

(i) provide a transfer agent, registrar and CUSIP number for all of such Registrable Securities not later than the effective date of such registration statement;

(j) make available for inspection by any seller of Registrable Securities and any attorney, accountant or other agent retained by any such seller, all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors, employees, attorneys and independent accountants to supply all information, in each case reasonably requested by any such sellers, attorneys, accountants or agents in connection with such registration statement, subject to the right of the Company to limit access to any such information to the extent that (i) the Company is restricted from providing such information pursuant to any bona fide confidentiality agreement to which the Company or any of its Subsidiaries is a party and (ii) the Company shall have delivered to each seller of the Registrable Securities a certificate duly executed by the chief executive or chief financial officer of the Company stating that such information does not contain any material information which would be required to be disclosed in, or which would materially affect any information required to be disclosed in, such registration statement;

(k) use its best efforts to comply with all applicable laws related to such registration statement and offering and sale of securities and all applicable rules and regulations of governmental authorities in connection therewith (including, without limitation, the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act")) and the rules and regulations promulgated by the Commission) and make generally available to its security holders as soon as practicable (but in any event not later than fifteen (15) months after the effectiveness of such registration statement) an earnings statement of the Company and its subsidiaries complying with Section 11(a) of the Securities Act;

(l) use its best efforts to furnish to each seller of Registrable Securities a signed counterpart of (i) an opinion of counsel for the Company (which counsel shall be reasonably acceptable to

HIIC and/or its Affiliates) and (ii) a "comfort" letter signed by the independent public accountants who have certified the Company's financial statements included or incorporated by reference in such registration statement, covering such matters with respect to such registration statement and, in the case of the accountants' comfort letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' comfort letters delivered to the underwriters in underwritten public offerings of securities for the account of, or on behalf of, an issuer of common stock, such opinion and comfort letters to be dated the date such opinions and comfort letters are customarily dated in such transactions and to be addressed to and reasonably acceptable to the underwriter and each seller of Registrable Securities; and

(m) take all such other actions as HIIC and/or its Affiliates reasonably request in order to expedite or facilitate the disposition of such Registrable Securities.

Without limiting any of the foregoing, the Company shall enter into an underwriting agreement with a managing underwriter or underwriters containing representations, warranties, indemnities and agreements customarily included (but not inconsistent with the agreements contained herein) by an issuer of common stock in underwriting agreements with respect to offerings of common stock for the account of, or on behalf of, selling shareholders. Each seller of Registrable Securities pursuant to the terms of this Agreement shall be required to make such representations and warranties to, and agreements with, the Company and/or underwriter or underwriters as are customary in similar transactions or are contemplated by the terms of this Agreement. In connection with any offering of Registrable Securities registered pursuant to this Agreement, the Company shall (i) furnish to the underwriter unlegended certificates representing ownership of the Registrable Securities being sold, in such denominations as requested for sale pursuant to such registration and (ii) instruct any transfer agent and registrar of the Registrable Securities to release any stop transfer order with respect thereto.

Each seller of Registrable Securities hereunder agrees that upon receipt of any notice from the Company of the happening of any event of the kind described in paragraph (g) of this Section 6, such seller shall forthwith discontinue such seller's disposition of Registrable Securities pursuant to the applicable registration statement and prospectus relating thereto until such seller's receipt of the copies of the supplemented or amended prospectus contemplated by paragraph (g) of this Section 6 and, if so directed by the Company, deliver to the Company (at the Company's sole cost and expense) all copies then in such seller's possession of the prospectus current at the time of receipt of such notice relating to such Registrable Securities. In the event the Company shall give such notice, the thirty (30) day period during which such registration statement must remain effective pursuant to this Agreement shall be extended by the number of days during the period from the date of giving of a notice regarding the happening of an event of the kind described in paragraph (g) of this Section 6 to the date when all such sellers shall receive such a supplemented or amended prospectus and such prospectus shall have been filed with the Commission.

SECTION 7. Registration Expenses. All expenses incident to the Company's performance of, or compliance with, its obligations under this Agreement including, without limitation, all registration and filing fees, all fees and expenses of compliance with securities and "blue sky" laws (including, without limitation, the fees and expenses of counsel for underwriters or placement or sales agents in connection therewith to the extent provided for in the underwriting agreement), all printing and copying expenses, all messenger and delivery expenses, all fees and expenses of underwriters and sales and placement agents in connection therewith (excluding discounts, commissions and allowances), all fees and expenses of the Company's independent certified public accountants (except as otherwise provided in Section 2(d)) and counsel (including, without limitation, with respect to "comfort" letters and opinions) and other Persons retained by the Company in connection therewith (collectively, the "Registration Expenses") shall be borne by the Company unless

otherwise provided in this Agreement except that the Company will, in any event (and without implication that the contrary would otherwise be true), pay its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties, and the expense of any annual audit) (collectively, "Internal Expenses") and the expenses and fees for listing the securities to be registered on each securities exchange and included in each established over-the-counter market on which securities of the same class issued by the Company are then listed or traded or for listing on the NASDAQ pursuant to paragraph (i) of Section 6 of this Agreement. The sellers of Registrable Shares shall be responsible for their own underwriting discounts, commissions and allowances and legal fees and expenses.

SECTION 8. Preemptive Rights.

(a) Preemptive Rights. Except for the issuance of securities of the Company (i) to the Company's or its Affiliates' employees, directors or consultants (or pursuant to options or rights granted to Persons who were employees, directors or consultants of the Company or its Affiliates as of the date of grant) pursuant to a stock purchase or option plan adopted by the Board of Directors of the Company, (ii) in connection with an acquisition by the Company or its Affiliates of the assets or capital stock of a third party, (iii) pursuant to a stock split, dividend, etc., (iv) except as provided in paragraph (d) below, upon the conversion of any preference shares into Common Stock, or (v) to any lender in connection with the extension, renewal, modification or renegotiation of any credit or indebtedness to the Company or its Affiliates (provided, it being the understanding of the parties that the exception set forth in this clause (v) shall not apply to any issuance of securities of the Company in settlement or repayment of any credit or indebtedness to the Company or its Affiliates), if the Company authorizes the issuance or sale of any Voting Shares, including options, warrants or rights to acquire Voting Shares or securities convertible into Voting Shares, (other than as a dividend on the outstanding Voting Shares) to any Person, the Company shall first offer to sell to HIIC and its Affiliates a portion of such securities equal to the quotient determined by dividing (A) the number of shares of Voting Shares held by HIIC and its Affiliates at the time of the proposed issuance of such securities, on a fully diluted basis, by (B) the total number of outstanding shares of Voting Shares outstanding at such time, on a fully diluted basis. The exception set forth in clauses (i) through (v), inclusive, of this Section 8(a) shall not apply to any issuance of securities of the Company in a transaction of the type set forth in clauses (i) through (v), inclusive, to the extent, and solely to the extent, any such individual issuance would result in the aggregate ownership, on a fully diluted basis, of Voting Shares by HIIC and its Affiliates being less than twenty percent (20%) of the outstanding Voting Shares of the Company, on a fully diluted basis; provided, however, in the event a valuation of the securities of the Company being issued in such transaction is required in connection with the exercise of the preemptive rights hereunder, HIIC and its Affiliates shall retain and be solely responsible for the payment of all fees and expenses of the investment bank or valuation firm hired to conduct such valuation and any such investment bank or valuation firm shall be reasonably acceptable to the Company. If such securities are being offered in a manner such that each offeree purchasing such stock or securities is required to purchase a "strip" or more than one type of stock and/or securities, HIIC shall likewise be required to purchase each of the shares of stock and/or securities included in the strip if any are purchased.

(b) Procedure. In order to exercise its purchase rights under this Section 8, HIIC and its Affiliates shall, within fifteen (15) days after receipt of written notice from the Company describing in reasonable detail the securities being offered, the purchase price thereof, the payment terms and its percentage allotment, deliver a written notice to the Company describing its election hereunder. During the ninety (90) days following the expiration of the fifteen (15) day period described above, the Company shall be entitled to sell such securities which HIIC and its Affiliates have not elected to purchase on terms and conditions no more favorable to the purchasers thereof than those offered to HIIC and its Affiliates; provided, if the Company does not sell within the ninety (90) day period the securities which were the subject of the notice pursuant this

Section 8, it must send another notice and repeat the procedure pursuant to this Section 8 before it could sell such securities after such ninety (90) day period.

(c) Termination. The provisions of this Section 8 shall terminate when HIIC and its Affiliates collectively own less than twenty percent (20%) of the outstanding Voting Shares of the Company on a fully diluted basis.

(d) Special Preemptive Right. Notwithstanding paragraph (c) above and in addition to the rights set forth in paragraph (a) above, upon any conversion of any shares of convertible redeemable preference shares of the Company issued to B E Aerospace, Inc., a Delaware corporation ("B/EA"), as part of the issuance of up to three thousand (3,000) shares of convertible redeemable preference shares of the Company to B/EA which are convertible into Parent Common Shares at a percentage of the trading price of the Parent Common Shares as previously disclosed to HIIC, the Company shall issue to HIIC and/or the Affiliates of HIIC a number of the Company Common Shares upon payment by HIIC of the par value thereof such that such number of shares plus the number of the Amalgamation Shares, Conversion Shares and Warrant Shares collectively constitutes the same percentage of the outstanding Voting Shares of the Company on a fully diluted basis as the number of Amalgamation Shares, Conversion Shares and Warrant Shares constituted of the outstanding Voting Shares of the Company on a fully diluted basis prior to such issuance.

SECTION 9. Non-Pro Rata Redemptions. HIIC and/or the Affiliates of HIIC shall have the right for as long as HIIC and the Affiliates of HIIC collectively own twenty percent (20%) or more of the outstanding Voting Shares on a fully diluted basis to participate on a proportionate basis in any non-pro rata stock repurchases or redemptions of Voting Shares conducted by the Company, other than repurchases or redemptions in connection with the termination of employment of any employee of the Company or any of its Affiliates or pursuant to a contractual right or obligation of the Company entered into in connection with the issuance of such Voting Shares.

SECTION 10. Special Sale Obligations/ Rights. At any time that HIIC and the Affiliates of HIIC collectively own less than ten percent (10%) of the outstanding Voting Shares of the Company, on a fully diluted basis, (i) the Company shall have the right to cause HIIC and the Affiliates of HIIC to sell all of their Voting Shares of the Company pursuant to a sale registered under the Securities Act and (ii) HIIC shall have the right to cause the Company to file a registration statement under the Securities Act in accordance with the terms of Section 2 to sell all of its and its Affiliates' Voting Shares of the Company, in each case of (i) and (ii), in the event (x) of any change in or conduct of the business or proposed business of the Company or any of its Subsidiaries or any other action or inaction of the Company or any of its Subsidiaries which would constitute or result in a Disqualifying Action or (y) the Company does not redeem a Disqualified Holder pursuant to Bye-law 4B of its bye-laws, and in each case of (i) and (ii), at the Company's expense (other than HIIC's and the Affiliates of HIIC underwriting discounts, commissions or allowances and legal fees and expenses) without being subject to the limitations set forth in Sections 2(b) and (d) and Section 5.

SECTION 11. Indemnification.

(a) By the Company. The Company agrees to indemnify, defend and hold harmless each holder of Registrable Securities, its officers, directors, employees and agents and each Person who controls (within the meaning of the Securities Act or the Exchange Act) such holder or such an other indemnified Person against all losses, claims, damages, liabilities and expenses caused by (i) any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to

be stated therein or of a fact necessary to make the statements therein not misleading, except insofar as the same are caused by and contained in any information furnished in writing to the Company by such holder for use therein by the Company or (ii) any violation by the Company of any applicable federal or state securities laws.

(b) By Holders. In connection with any registration statement in which a holder of Registrable Securities is participating, each such holder will furnish to the Company in writing information regarding such holder's ownership of Registrable Securities and shall indemnify, defend and hold harmless the Company, its directors, officers, employees and agents and each Person who controls (within the meaning of the Securities Act or the Exchange Act) the Company or such an other indemnified Person against any losses, claims, damages, liabilities and expenses (including with respect to any claim for indemnification hereunder asserted by any other indemnified Person) resulting from (i) any untrue or alleged untrue statement of material fact contained in such information so furnished by such holder which is contained in the registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto, or any omission or alleged omission of a material fact omitted from the information so furnished by holder which is required to be stated therein or necessary to make the statements therein not misleading and is omitted from the registration statement, prospectus or preliminary prospectus or any amendment or supplement thereto, or (ii) any violation by such holder of any applicable federal or state securities laws; provided that the liability of each such holder of Registrable Securities will be in proportion to and limited to the net amount received by such holder from the sale of Registrable Securities pursuant to such registration statement.

(c) Notice. Any Person entitled to indemnification hereunder shall give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification; provided, however, the failure to give such notice shall not release the indemnifying party from its obligation under this Section 11, except to the extent that the indemnifying party has been materially prejudiced by such failure to provide such notice.

(d) Defense of Actions. In any case in which any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not (so long as it shall continue to have the right to defend, contest, litigate and settle the matter in question in accordance with this paragraph) be liable to such indemnified party hereunder for any legal or other expense subsequently incurred by such indemnified party in connection with the defense thereof (unless such indemnified party presents a written legal opinion of counsel to the effect that there are defenses available to the indemnified party which are different from or in addition to the defenses available to such indemnifying party, in which event the indemnified party shall be reimbursed by the indemnifying party for the expenses incurred in connection with retaining separate legal counsel; provided that the indemnifying party shall not be obligated to reimburse the indemnified parties for the fees and expenses of more than one counsel for all indemnified parties who do not have different or additional defenses among themselves). An indemnifying party shall not be liable for any settlement of an action or claim effected without its consent. The indemnifying party shall lose its right to defend, contest, litigate and settle a matter if it shall fail to diligently contest such matter (except to the extent settled in accordance with the next following sentence). No matter shall be settled by an indemnifying party without the consent of the indemnified party (which consent shall not be unreasonably withheld).

(e) Survival. The indemnification provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified Person and will survive the transfer of the Registrable Securities.

(f) Contribution. If recovery is not available under the foregoing indemnification provisions for any reason or reasons other than as specified therein, any Person who would otherwise be entitled to indemnification by the terms thereof shall nevertheless be entitled to contribution with respect to any losses, claims, damages, liabilities or expenses with respect to which such Person would be entitled to such indemnification but for such reason or reasons. In determining the amount of contribution to which the respective Persons are entitled, there shall be considered the Persons' relative knowledge and access to information concerning the matter with respect to which the claim was asserted, the opportunity to correct and prevent any statement or omission, and other equitable considerations appropriate under the circumstances. It is hereby agreed that it would not necessarily be equitable if the amount of such contribution were determined by pro rata or per capita allocation. The liability of each holder of Registrable Securities will be in proportion to and limited to the net amount received by such holder from the sale of Registrable Securities pursuant to such registration statement. No party shall be entitled to contribution hereunder if such party is found guilty of having committed fraudulent misrepresentation except insofar as the same is caused by a fraudulent misrepresentation by any holder of Registrable Securities for use therein by the Company.

SECTION 12. Participation in Underwritten Registrations. No Person may participate in any underwritten registration hereunder unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

SECTION 13. Miscellaneous.

(a) Rule 144. The Company shall timely file the reports, if any, required to be filed by it under the Securities Act or the Exchange Act (including, if required, the reports under Sections 13 and 15(d) of the Exchange Act referred to in subparagraph (c)(1) of Rule 144). Upon the request of any holder of Registrable Securities, the Company shall: (i) deliver to such holder a written statement as to its compliance with the reporting requirements of Rule 144, as such rule may be amended from time to time, and (ii) take such further action, including, without limitation, supply and make publicly available any other information in the possession of or reasonably obtainable by the Company, with the purpose of allowing such holder to avail itself of Rule 144 or any other rule or regulation of the Commission allowing it to sell securities without registration under the Securities Act.

(b) Amendments and Waivers. Except as otherwise provided herein, the provisions of this Agreement may be amended or waived and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of HIIC. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement or of any further breach of the provision so waived or of any other provision of this Agreement. No extension of time for the performance of any obligation or act hereunder shall be deemed an extension of time for the performance of any other obligation or act. The waiver by any party of any of the conditions precedent to its obligations under this Agreement shall not preclude it from seeking redress for breach of this Agreement.

(c) Successors and Assigns. All covenants and agreements in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not. In addition, whether or not any express assignment has been made, the provisions of this Agreement which are for the benefit of purchasers or holders of Registrable Securities are also for the benefit of, and enforceable by, any subsequent holder of Registrable Securities; provided that securities shall cease to be Registrable Securities under the circumstances provided in Section 1(z).

(d) Remedies. If any party to this Agreement obtains a judgment against any other party hereto by reason of any breach of this Agreement or the failure of such other party to comply with the provisions hereof, reasonable attorneys' fees and court costs shall be included in such judgment.

(e) Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, and the remaining provisions of this Agreement shall continue to be binding and in full force and effect.

(f) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed to be an original, and all of which shall be taken to be one and the same instrument with the same effect as if each of the parties hereto had signed the same signature page. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signature thereon and may be attached to another counterpart of this Agreement identical in form hereto and having attached to it one or more additional signature pages.

(g) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and shall not be deemed to limit, characterize or interpret any provision of this Agreement.

(h) Governing Law. All questions concerning the construction, validity and interpretation of this Agreement and the exhibits and schedules hereto will be governed by the internal law, and not the law of conflicts, of Bermuda.

(i) Notices. All notices and other communications which are required or permitted to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be delivered personally, mailed by certified or registered mail, return receipt requested, sent by reputable overnight courier or sent by confirmed telecopier, addressed as follows:

(i) if to the Company, at:

Sky Games International, Ltd.
845 Crossover Lane, Suite D-215
Memphis, Tennessee 38117
Facsimile No.: 901-537-3801
Attention: President

with a copy to:

Altheimer & Gray
10 South Wacker Drive, Suite 4000
Chicago, Illinois 60606
Facsimile No.: 312-715-4800
Attention: Andrew W. McCune

(ii) if to HIIC, at:

Harrah's Interactive Investment Company
1023 Cherry Road
Memphis, Tennessee 38117
Facsimile No.: 901-762-8914
Attention: John M. Boushy

with a copy to:

Harrah's Entertainment, Inc.
1023 Cherry Road
Memphis, Tennessee 38117
Facsimile No.: 901-762-8735
Attention: John W. McConomy

or to such other address and/or such other addressee as any of the above shall have specified by notice hereunder. Each notice or other communication which shall be delivered personally, mailed or telecopied in the manner described above shall be deemed sufficiently given, served, sent, received or delivered for all purposes at such time as it is delivered to the addressee (with the return receipt, the delivery receipt or the affidavit of messenger being deemed conclusive, but not exclusive, evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation. The parties hereto agree that any notice or other communication required or permitted to be given or delivered hereunder to HIIC and/or its Affiliates shall be deemed properly given to HIIC and/or any or all of HIIC's Affiliates if given or delivered to HIIC in accordance with the provisions of this Section 13(i).

(j) Entire Agreement. This Agreement constitutes the sole and entire agreement of the parties with respect to the subject matter hereof.

* * * * *

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

THE COMPANY:

SKY GAMES INTERNATIONAL LTD.

By: /s/ Laurence Geller

Its: Chief Executive Officer

HIIC:

HARRAH'S INTERACTIVE INVESTMENT COMPANY

By: /s/ John M. Boushy

Title: Senior Vice President

EXHIBIT 4

[EXECUTION COPY]

FUNDING AGREEMENT

FUNDING AGREEMENT (the "Funding Agreement") dated as of the 13th day of May, 1997 among Interactive Entertainment Limited, a Bermuda exempted company ("IEL" or "Borrower"), and Sky Games International Ltd., a Bermuda exempted company ("SGI"), Harrah's Interactive Investment Company, a Nevada corporation ("HIIC" or "Lender"), and SGI Holding Corporation Limited, a Bermuda exempted company ("SGIH").

RECITALS

WHEREAS, SGI is the parent of SGIH; and

WHEREAS, SGIH and SGI have requested that (i) prior to the amalgamation of IEL and SGIH (the "Subsidiary Amalgamation"), Lender provide IEL with all or a portion of the funds required to permit IEL to carry on its day-to-day business activities by means of a loan to Borrower and (ii) following the Subsidiary Amalgamation, Lender assist in providing funding to IEL by means of a purchase of shares of common stock, par value Cdn. $.01 per share, of SGI (the "Shares"); and

WHEREAS, the loan will provide IEL with the funds prior to the Subsidiary Amalgamation and the purchase of equity of SGI will provide SGI with funds to contribute to IEL, in each case, in order to permit IEL to carry on IEL's day to day business activities; and

WHEREAS, Lender is willing to make such loan and to purchase such equity, although Lender is under no obligation to do so; and

WHEREAS, Lender's agreement to make the loan is conditioned on the guaranty of such loan by SGIH, the receipt of a stock pledge from SGIH and a security agreement and SGI's grant of warrants to Lender ("Warrant Rights") to purchase the capital stock of SGI under certain terms, and the issuance to Lender of a promissory note in the amount of the loan convertible into capital stock of SGI, and

WHEREAS, Borrower is willing to borrow such funds and enter into the other credit accommodations herein and to commit to sell its equity on the terms and subject to the conditions set forth herein. Except where otherwise noted, all monetary amounts set forth herein are denominated in United States currency.

AGREEMENT

In consideration of the mutual covenants and agreements set forth herein, the parties hereto hereby agree as follows:

1. Loan. Lender agrees to make a loan to Borrower in the aggregate principal amount of $1,000,000 (the "Loan") on the terms and subject to the conditions set forth herein and in the Financing Agreements. The Convertible Promissory Note attached hereto as Exhibit A, the Pledge Agreement attached as Exhibit B, the Guaranty attached as Exhibit C, the Warrant Agreement attached as Exhibit D, the Security Agreement attached as Exhibit E and this Funding Agreement are referred to herein as the "Financing Agreements".

2. Consideration for Lending. Borrower and SGIH acknowledge and agree that they are directly benefited by the Loan advances since the utilization of the Loan proceeds by IEL for working capital purposes will assist IEL to continue to operate and develop its business.

3. Use of Proceeds. The Loan is to be used only for the working capital needs of IEL and shall not be distributed to the shareholders of Borrower.

4. Funding of Loan.

a. Subject to compliance with the terms hereof and the Financing Agreements, Lender shall advance the Loan to IEL from time to time as required by IEL's manager and HIIC's affiliate, Harrah's Interactive Entertainment Company ("HIEC"), (each, a "Funding Date") during the period from the date hereof through the earlier of (i) the consummation of the Subsidiary Amalgamation and (ii) June 21, 1997. Funding shall occur as requested by HIEC as necessary to fund IEL's immediate working capital needs. Upon consummation of the Subsidiary Amalgamation, Outstanding Amounts (as defined in the Note) under the Note shall automatically convert into shares of common stock, $.01 par value, of SGI ("Common Stock") and HIIC shall receive a warrant to purchase shares of Common Stock in an amount equal to the difference between (x) one million shares of Common Stock and (y) any Common Stock received pursuant to the conversion of Outstanding Amounts under the Note.

b. Upon the advice of HIEC, IEL shall request funds on behalf of the Borrower by delivering a Notice of Borrowing to Lender (with a copy to SGIH) identifying (i) the total amount of the Loan to be funded and (ii) the Funding Date. Within three (3) days of receipt of a Notice of Borrowing, SGIH and SGI shall cause their respective Chief Executive Officer to deliver to HIIC Officer's Certificates of SGIH and SGI which shall state that, as of the date thereof and on the Funding Date, the representations set forth herein shall be true and correct and no default of SGI or SGIH exists under the Note.

c. Following receipt and review of the required documentation, Lender shall advance the Loan requested on the Funding Date if such documentation is reasonably satisfactory to Lender in all material respects.

d. If either or both of SGIH and SGI fail to timely deliver the Officer's Certificate, HIIC may, at its sole discretion (i) declare this Agreement in default; or (ii) elect to advance the funds requested.

e. IEL may prepay any amounts outstanding under the Loan at any time and from time to time. Any such prepayments shall be used to repay the Loan with the earliest advances under the Loan to be repaid first.

5. Purchase of Equity.

a. Subject to compliance with and possible reduction pursuant to the terms hereof and the consummation on the Subsidiary Amalgamation, HIIC hereby subscribes for and agrees to purchase from SGI during the period from the day after the Subsidiary Amalgamation through the 90th day after the Subsidiary Amalgamation (the "Commitment Period") up to 650,000 Shares (the "Equity Commitment") at a price of $1.00 per Share (the "Subscription Price")when requested by IEL in accordance with the schedule set forth herein (each also, a "Funding Date") as required to fund the working capital needs of IEL. Subject to possible reduction as set forth below, IEL shall be able to require Lender to purchase a number of Shares equal to one-third of the Equity Commitment on each of the 30th, 60th and 90th days (or first business day thereafter) after the Subsidiary Amalgamation; provided any amounts which are not required to be purchased on any such scheduled date may be required to be purchased at any remaining scheduled date. The Subscription Price payable by Lender shall be payable in cash or other immediately available funds. In the event that IEL fails to satisfy its obligations under the Note upon maturity thereof, such failure shall be deemed

to be "exigent circumstances" as described in Section 2.4(b) of the Shareholders Agreement dated December 30, 1994 among SGIH, HIIC and IEL.

b. Borrower shall deliver a Notice of Exercise to Lender identifying (i) the portion of the Equity Commitment required to be exercised and (ii) the Funding Date. Within three (3) days of receipt of a Notice of Exercise, SGI and IEL shall cause their respective Chief Executive Officer to deliver to HIIC Officer's Certificates of SGI and IEL which shall state that, as of the date thereof and on the Funding Date, the representations set forth herein shall be true and correct and no default of SGI or IEL exists under this Agreement.

c. Following receipt and review of the required documentation, Lender shall pay the Subscription Price for the portion of the Equity Commitment required to be exercised on the Funding Date if such documentation is reasonably satisfactory to Lender in all material respects and provided that all the conditions contained herein are satisfied in all material respects.

d. When Lender shall make full payment to SGI for the Shares subscribed by Lender, and such payment is received by SGI, the proper officers of SGI shall execute and deliver to Lender a certificate representing said Shares and the Shares shall be validly issued, fully paid and non-assessable.

e. Any then unexercised portions of the Equity Commitment shall be reduced in an amount equal to the dollar amount of all cash proceeds, net of any underwriter or brokers discounts, allowances, fees or commissions, to SGI from the sale of Shares or securities convertible into Shares during the Commitment Period.

f. If SGI shall at any time prior to the exercise of the Equity Commitment, (i) pay a dividend in Shares or make a pro rata distribution to all of its shareholders in Shares, (ii) subdivide its outstanding Shares into a greater number of Shares, or (iii) combine its outstanding Shares into a smaller number of Shares, the Subscription Price in effect immediately after the record date for such dividend or distribution or the effective date of such subdivision or combination shall be adjusted so that it shall equal the price determined by multiplying the Subscription Price in effect immediately prior thereto by a fraction, the numerator of which shall be the number of Shares outstanding immediately before such dividend, distribution, subdivision or combination, and the denominator of which shall be the number of Shares outstanding immediately after such dividend, distribution, subdivision or combination. Such adjustments shall be made successively whenever any event specified above shall occur.

6. Representations by IEL, SGIH and SGI.

a. Authority. IEL, SGIH and SGI have all requisite corporate power and authority to execute this Agreement and the other Financing Agreements to which each is a party or by which each is bound in connection with the transactions contemplated by this Agreement. IEL, SGI and SGIH have each taken all necessary action to authorize the execution, delivery and performance of this Agreement and the other Financing Agreements to which each is a party or by which each is bound and to consummate the transactions contemplated hereby and thereby.

b. No Violation. Neither the execution and delivery of the Financing Agreements, nor any other agreement, certificate or instrument to be executed or delivered in connection therewith by IEL, SGI or SGIH nor the consummation of the transactions contemplated hereunder or thereunder or the compliance with or performance of the terms and conditions herein or therein, is prevented by, limited by, in conflict in

any material respect with, or will result in a breach or violation of, or a default (with due notice or lapse of time or both) under, which would have a material adverse effect on IEL, SGI or SGIH, or the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of its property or assets by virtue of, the terms, conditions or provisions of: (i) each of their respective organizational documents; (ii) any indenture, evidence of indebtedness, loan or financing agreement, or other material agreement or instrument of whatever nature to which each is a party or by which each is bound; or (iii) any provision of any existing law, rule, regulation, order, writ, injunction or decree of any court, gaming authority or governmental authority to which each is subject.

c. Enforceability. This Agreement and each of the other Financing Agreements, when executed and delivered by each of IEL, SGI and SGIH, will constitute a legal, valid and binding obligation of each of IEL, SGI and SGIH, enforceable against each of IEL, SGI and SGIH in accordance with the respective terms of each such agreement (except to the extent that enforcement may be affected by laws relating to bankruptcy, reorganization, insolvency and creditors rights and by the availability of injunctive relief, specific performance and other equitable remedies).

d. No Defaults. None of IEL, SGI, or SGIH is in violation of or in default with respect to any material agreement, or applicable laws and/or regulations which materially and adversely affect the business, financial condition or property of IEL, SGI or SGIH.

e. No Untrue Statements. All statements, representations and warranties made by IEL, SGI and SGIH in this Agreement and the Financing Agreements (i) are and shall be true, correct and complete in all material respects, at the time they were made and on and as of each Funding Date, (ii) do not and shall not contain any untrue statement of a material fact, and (iii) do not and shall not omit to state a material fact necessary in order to make the information contained therein not misleading or incomplete. IEL, SGI and SGIH understand that all such statements, representations and warranties shall be deemed to have been relied upon by Lender as a material inducement to enter into this Agreement and the Financing Agreements.

f. Solvency. IEL, SGI and SGIH have generally been paying their obligations as they come due, are not insolvent on the date hereof, and, after giving effect to the transactions contemplated by this Agreement and the Financing Agreements, will not be rendered insolvent or unable to pay their obligations as they come due. Each of IEL, SGI and SGIH has and, after giving effect to the transactions contemplated by this Agreement and the Financing Agreements, will have adequate capital to operate its facilities and conduct its business in the manner in which it is currently being conducted, and, after giving effect to the transactions contemplated by such Agreements, neither IEL, nor SGI, nor SGIH is or will be engaged in a business or transaction for which the remaining assets of such party are unreasonably small in relation to the business or transaction. Neither IEL, nor SGI, nor SGIH is subject to liabilities, and the Loan does not represent indebtedness, and neither IEL, nor SGI, nor SGIH will incur debts that it believes, or reasonably should believe are, beyond such party's ability to pay as such debts mature.

g. Value of Collateral. The fair market value of the consideration received by IEL and SGIH hereunder, including without limitation, the Loan, exceeds the fair market value of the liens and security interests granted to Lender as set forth in Exhibits B and E.

h. No Intent to Defraud. None of IEL, SGI, or SGIH is entering into the transactions contemplated herein with any actual intent to hinder, delay or defraud any creditor.

7. Representations by HIIC.

a. Authority. HIIC has all requisite corporate power and authority to execute this Agreement and the other Financing Agreements to which it is a party or by which it is bound in connection with the transactions contemplated by this Agreement. HIIC has taken all necessary action to authorize the execution, delivery and performance of this Agreement and the other Financing Agreements to which it is a party or by which it is bound and to consummate the transactions contemplated hereby and thereby.

b. No Violation. Neither the execution and delivery of the Financing Agreements, nor any other agreement, certificate or instrument to be executed or delivered in connection therewith by HIIC nor the consummation of the transactions contemplated hereunder or thereunder or the compliance with or performance of the terms and conditions herein or therein, is prevented by, limited by, in conflict in any material respect with, or will result in a breach or violation of, or a default (with due notice or lapse of time or both) under, which would have a material adverse effect on HIIC, or the creation or imposition of any material lien, charge, or encumbrance of any nature whatsoever upon any of its property or assets by virtue of, the terms, conditions or provisions of: (i) its organizational documents; (ii) any indenture, evidence of indebtedness, loan or financing agreement, or other material agreement or instrument of whatever nature to which it is a party or by which it is bound; or (iii) any provision of any existing law, rule, regulation, order, writ, injunction or decree of any court, gaming authority or governmental authority to which each is subject.

c. Enforceability. This Agreement and each of the other Financing Agreements, when executed and delivered by HIIC, will constitute a legal, valid and binding obligation of HIIC, enforceable against HIIC in accordance with the respective terms of each such agreement (except to the extent that enforcement may be affected by laws relating to bankruptcy, reorganization, insolvency and creditors rights and by the availability of injunctive relief, specific performance and other equitable remedies).

d. No Defaults. HIIC is not in violation of or in default with respect to any material agreement, or applicable laws and/or regulations which materially and adversely affect the business, financial condition or property of HIIC.

e. No Untrue Statements. All statements, representations and warranties made by HIIC in this Agreement and the Financing Agreement (i) are and shall be true, correct and complete in all material respects, at the time they were made and on and as of each Funding Date, (ii) do not and shall not contain any untrue statement of a material fact, and (iii) do not and shall not omit to state a material fact necessary in order to make the information contained therein not misleading or incomplete. HIIC understands that all such statements, representations and warranties shall be deemed to have been relied upon by Borrower and SGIH as a material inducement to enter into this Agreement and the Financing Agreements.

f. Investment Intent. All Shares acquired by or for HIIC pursuant to this Agreement are being or have been acquired solely for investment and not with a view to the distribution thereof or with any intention of distributing or reselling any such Shares, and that, irrespective of any other provisions of this Agreement, any sale or other transfer of such Shares by HIIC will be made only in compliance with all applicable federal and state securities laws, including without limitation the Securities Act of 1933, as amended (the "Act"). SGI and HIIC acknowledge that the Shares acquired pursuant to the Financing Agreements shall be covered by a registration rights agreement between SGI and HIIC, pursuant to which HIIC shall have the right to have the Shares acquired registered upon HIIC's demand, subject to the terms and conditions thereof.

g. Nature of Shares. All Shares acquired by or for HIIC will not be registered under the Act and must be held by HIIC until such Shares are registered under the Act or an exemption from such registration is available. SGI will have no obligation to take any actions that may be necessary to make available any exemption from registration under the Act.

h. Rule 144. HIIC is familiar with Rule 144 promulgated by the Securities and Exchange Commission under the Act, which establishes guidelines governing, among other things, the resale of "restricted securities" (securities such as the Shares, which are acquired from the issuer of such securities in a transaction not involving any public offering). In connection with a sale or other transfer of the Shares pursuant to an exemption from registration under the Act, or if available, under Rule 144 or pursuant to some other exemption, HIIC may be required by SGI to deliver to SGI an opinion from counsel for HIIC, and/or receive an opinion from counsel for SGI, to the effect that all applicable federal and state securities law requirements have been met.

i. Access to Information. In order to adequately evaluate the merits and risks of an investment in SGI, HIIC has had an opportunity to (i) ask questions and receive answers from SGI and its representatives concerning SGI and HIIC's investment therein, and (ii) obtain any additional information which HIIC has requested with respect to SGI and HIIC's investment therein. HIIC understands that no federal or state agency has recommended or endorsed the purchase of Shares or made any determination or finding as to the fairness of the provisions of this Agreement. HIIC understands and is cognizant of all the risk factors related to the purchase of the Shares, and HIIC's knowledge and experience in financial and business matters is such that HIIC is capable of evaluating the risks of an investment in the Shares.

8. Covenant. SGI, SGIH and HIIC each agree to use their reasonable best efforts and to do all things necessary to effect the Subsidiary Amalgamation and the amalgamation of SGI and IEL as promptly as practicable.

9. Conditions. The advance of Loans shall be conditioned upon:

a. on the initial Funding Date only receipt by Lender of all of the following:

(i) Evidence of the authority for each of IEL, SGI and SGIH to execute, deliver and perform the Financing Agreements to which each is a party;

(ii) Executed Convertible Promissory Note (the "Note") - Exhibit A;

(iii) Executed Guaranty of the Note of SGI and SGIH - Exhibit C;

(iv) Executed Pledge and Security Agreement of IEL Shares acquired by SGIH subsequent to the date hereof - Exhibit B;

(v) Executed copy of Security Agreement - Exhibit E;

(vi) Executed Warrant Agreement - Exhibit D;

(vii) Opinion of Counsel for SGI and SGIH;

(viii) Resolutions of the Board of Directors of IEL, SGI and SGIH, certified by the Secretary thereof, authorizing execution of the Financing Agreements and all transactions and obligations contained therein; and

(ix) the holders of the Shares which are being held in escrow by Montreal Trust Company of Canada pursuant to the Escrow Agreement dated as of May 27, 1992 having entered into a binding agreement effective as of the date of execution to have SGI redeem their Shares at a redemption ratio of 1 newly issued Share for every 3 escrow Shares redeemed; and

b. on each Funding Date, including the initial Funding Date, each of the following conditions have been satisfied in all material respects:

(i) there not being an uncured Event of Default under this Agreement;

(ii) there not being a material uncured default under the Software License and Software Services Agreement and the Services Agreement, each dated November 7, 1995, between IEL and Singapore Airlines Ltd.;

(iii) no bankruptcy, reorganization or insolvency proceedings, including, without limitation, an assignment for the benefit of creditors having been instituted by or against any of SGI, SGIH or IEL and, if instituted against any of SGI, SGIH or IEL, such proceedings having been consented to (except for any of the foregoing due to HIIC's failure to fund its obligations to IEL or to advance the Loan when required hereby);

(iv) there not having been a material adverse change from the existing 1997 Annual IEL business plan as adopted by the Board of Directors of IEL;

(v) there not being a material adverse change in the financial condition of SGI, on a stand alone basis prior to the amalgamation of IEL with and into SGI, except as a result of the writedown of SGI's real estate assets;

(vi) following execution of binding documents with respect to such transaction, there not being a material breach of the representations and warranties in the agreements to effect the amalgamation of IEL and SGIH or the amalgamation of SGI and IEL; and

(vii) there not being any litigation which would or could reasonably be expected to have the effect of halting or materially delaying the amalgamation of IEL and SGIH or the amalgamation of SGI and IEL.

10. Default. Each of the following shall constitute an "Event of Default" under this Funding Agreement:

a. the failure of IEL to pay in full any amount due under the Note by the date the same is due, as provided therein, and such failure shall continue for five (5) days after written notice from HIIC to IEL of such failure, or IEL's failure to pay in fill any amount due hereunder upon maturity of the Note, by acceleration or otherwise:

b. the failure of IEL to perform, satisfy and observe in all material respects, when due, any of the obligations, covenants, conditions and restrictions under the Financing Agreements or the failure of any representations and warranties thereunder to be true and correct in any material respect, not involving the payment of money, and such failure shall continue for fifteen (15) days after written notice from HIIC to IEL of such failure, or if said failure cannot reasonably be cured within said fifteen (15) day period, IEL shall not have pursued the cure with reasonable diligence and shall not have cured such failure within a reasonable time after the written notice from HIIC to IEL or SGI and SGIH described above;

c. an uncured default by IEL shall exist under the other Financing Agreements; or

d. an uncured default by either or both of SGI or SGIH shall exist under any of the Financing Agreements.

11. General.

a. Notices. All notices and other communications to be delivered or made hereunder shall be in writing and shall be (i) delivered personally, (ii) sent by post prepaid certified mail, return receipt requested, (iii) sent by express courier service, or (iv) sent by facsimile at the following addresses or such other addresses described in a written notice as provided herein:

IEL and HIIC: 1023 Cherry Road
Memphis, TN 38117
Attn: John Boushy
Facsimile No.: 901-762-8914

With a copy to: John W. McConomy, Esq.
1023 Cherry Road
Memphis, TN 38117
Facsimile No.: 901-762-8735

SGI and SGIH: 595 Howe Street, Suite 1115
Vancouver, B.C. V6C 2T5
Attn: Malcolm P. Burke
Facsimile No.: 604-687-8678

With a copy to: Altheimer & Gray
10 South Wacker Drive, Suite 4000
Chicago, Illinois 60606
Attn: Andrew W. McCune, Esq.
Facsimile No.: 312-715-4800

All such notices and communications shall be deemed effective, if mailed, upon the expiration of the fifth (5th) day following the date of mailing (except that any notice of change of address shall be effective only upon receipt by the party to whom such notice is addressed), if delivered personally or delivered by courier, upon receipt or refusal of delivery, and if by facsimile, upon the first business day following confirmed transmission; provided such notice or communication is also mailed in accordance with the foregoing requirements within two (2) days of delivery by facsimile.

b. Counterparts. This Agreement and the Financing Agreements may be executed by the parties hereto in any number of separate counterparts with the same as if the signatures were upon the same instrument. All such counterparts shall together constitute but one and the same document.

c. Choice of Law and Forum. This Agreement and the Financing Agreements shall be governed by and construed in accordance with the laws of the State of Tennessee. IEL, SGIH and SGI further agree that the determination of any action relating to this Agreement or any of the Financing Agreements delivered in favor of Lender pursuant to the terms thereof shall be either an appropriate court of the State of Tennessee or the United States District Court for the Western District of Tennessee.

d. Successors and Assigns. All of the terms, covenants, warranties and conditions contained in this Agreement and the Financing Agreements shall be binding upon and inure to the sole and exclusive benefit of the parties hereto and their respective successors and assigns.

e. Further Assurances. Borrowers, SGI and SGIH will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such amendments or supplements hereto or to any of the Financing Agreements and such further documents, instruments and transfers as the Lender may require in connection with or to effect the transactions contemplated hereby or in any of the Financing Agreements.

IN WITNESS WHEREOF, the parties hereto have affixed their signatures on the day and date first above written.

INTERACTIVE ENTERTAINMENT LIMITED

By:/s/ Malcolm Burke

Its:Vice President

HARRAH'S INTERACTIVE INVESTMENT COMPANY

By:/s/ John Boushy

Its:Senior Vice President

SGI HOLDING CORPORATION LIMITED

By:/s/ Malcolm Burke

Its:President

SKY GAMES INTERNATIONAL LTD.

By:/s/ Malcolm Burke

Its:President

EXHIBIT 5

[EXECUTION COPY]

WARRANT AGREEMENT

THIS WARRANT AGREEMENT (this "Agreement") is made and entered into as of May 13, 1997 between Sky Games International Ltd., a Bermuda exempted company ("SGI"), and Harrah's Interactive Investment Company, a Nevada corporation (the "Warrantholder"). This Agreement is made in connection with the issuance of warrants to purchase shares of common stock, par value Cdn. $.01 per share, of SGI (such shares of SGI or its successor pursuant to the Amalgamation of SGI and SGI Holding Corporation Limited, a Bermuda exempted company, are referred to herein as the "Shares") by the Warrantholder as set forth on Exhibit A attached hereto. The Warrant to be issued to the Warrantholder pursuant to this Agreement hereinafter may be referred to as the "Warrant." The Warrant entitles the Warrantholder to purchase up to the number of Shares set forth herein at the Exercise Price (as defined in Section 6 hereof). There shall be no change in the number of Shares issuable pursuant to this Warrant except as provided in Section 7 hereof. Except where otherwise noted, all monetary amounts set forth herein are denominated in United States currency.

Section 1. Form of Warrant. The Warrant shall be represented by a certificate (the "Warrant Certificate") which shall be in the form of Exhibit B attached hereto, including the exercise form comprising part of Exhibit B.

Section 2. Transfer or Exchange of Warrant.

2.1 Warrant Register. SGI shall number and register the Warrant Certificate in a Warrant register. SGI shall be entitled to treat the registered owner of the Warrant as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such Warrant on the part of any other person.

2.2 Transfer. The Warrant shall be transferable only on the books of SGI, maintained at its principal office, upon delivery of the Warrant Certificate representing the Warrant duly endorsed by the Warrantholder or by his duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment or authority to transfer. Upon each requested registration of transfer and subject to the restrictions on transfer set forth in Section 13 hereof, SGI shall deliver a new Warrant Certificate to the person entitled thereto at the same Exercise Price, with the same Termination Date (as hereinafter defined) and otherwise of like tenor as the Warrant so transferred or assigned.

Section 3. Terms of Warrant; Exercise of Warrant.

3.1 Terms of Warrant. Subject to the terms and conditions of this Agreement, the Warrantholder shall have the right and option to purchase from SGI the number of validly issued, fully paid and nonassessable Shares set forth on Exhibit A attached hereto which such Warrantholder may at that time be entitled to purchase on exercise of the Warrant. The Warrant may be exercised in whole at any time or in part from time to time on or after the date of the consummation of the amalgamation (the "Subsidiary Amalgamation") of SGI Holding Corporation Limited, a Bermuda exempted company, and Interactive Entertainment Limited, a Bermuda exempted company (the "Commencement Date"). The right to exercise such Warrant shall terminate without further notice at 5:00 p.m. Memphis time on the ninetieth (90th) day after the Commencement Date (the "Termination Date"). Closing of such exercise shall be subject to satisfaction of the conditions set forth in Section 3.3 hereof.

3.2 Method of Exercise.

(a) Upon compliance with the terms and conditions of this Agreement, the Warrant to purchase represented by the Warrant shall be exercisable at the election of the Warrantholder, either in full or from time to time in part. In the event that the Warrant is exercised with respect to fewer than all of the Shares or other securities purchasable on such exercise at any time prior to the Termination Date, a new Warrant Certificate evidencing the remainder of the Warrant shall be issued by SGI at the same Exercise Price, with the same Termination Date, and otherwise of like tenor as the Warrant that has been partially exercised. SGI shall deliver the new Warrant Certificate pursuant to the provisions of Sections 1 and 2 hereof.

(b) The Warrant shall be exercised by surrender to SGI, at its principal office, of the Warrant Certificate evidencing the Warrant, together with a duly completed and executed form of election to purchase attached thereto, payment to SGI of the Exercise Price for all of the Shares for which the Warrant is then exercised and satisfaction of the other conditions set forth in Section 3.3. Payment of the Aggregate Exercise Price (as hereinafter defined) shall be made in cash, certified bank check, cashier's check, wire transfer or otherwise in immediately available funds. All Warrant Certificates surrendered upon exercise of Warrants shall be canceled by SGI.

3.3 Issuance of the Shares. Within ten (10) business days after all of (i) the surrender of the Warrant Certificate, (ii) payment of the Aggregate Exercise Price and (iii) delivery of the Exercise Form attached to the Warrant Certificate, SGI shall issue and cause to be delivered to the Warrantholder a certificate for the number of Shares so purchased upon the exercise of the Warrant together with a Warrant Certificate for the portion of the Warrant not exercised, if any. All Shares will, upon issuance, be validly issued, fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issuance thereof (other than income taxes).

Section 4. Mutilated or Missing Warrant Certificate. If any Warrant Certificate is mutilated, lost, stolen or destroyed, SGI shall, in the case of a mutilated Warrant Certificate, issue a new Warrant Certificate of like tenor upon surrender of such mutilated Warrant Certificate, and in case of the loss, theft or destruction of any Warrant Certificate, at the request of the Warrantholder, issue and deliver in exchange and substitution for the certificate lost, stolen or destroyed, a new Warrant Certificate of like tenor and representing an equivalent right or interest, but only upon receipt of evidence reasonably satisfactory to SGI of such loss, theft or destruction of such Warrant Certificate and reasonable and customary indemnity and bond, if requested, also reasonably satisfactory to SGI. An applicant for such a substitute Warrant Certificate also shall comply with such other reasonable regulations and pay such other reasonable charges as SGI may prescribe to cover SGI's expenses in processing the mutilated Warrant Certificate or replacing the lost, stolen or destroyed Warrant Certificate.

Section 5. Certain Covenants.

5.1 Reservation of Shares. SGI shall provide for the authorization and reservation of Shares for issuance upon the exercise of the Warrant.

5.2 No Impairment. SGI shall not, by amendment of its Memorandum of Association or Bye-Laws or through reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issuance or sale of securities or any other agreement or voluntary act, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by SGI.

Section 6. Exercise Price. The Shares shall be purchasable upon the exercise of the Warrant at a price per Share of SGI equal to $1.00 per Share. The Exercise Price shall be subject to adjustments required pursuant to Section 7 hereof. The Exercise Price multiplied by the number of Shares issuable upon exercise of the Warrant may be referred to herein as the "Aggregate Exercise Price."

Section 7. Adjustment of Exercise Price and Number of Interests. The number and kind of securities purchasable upon the exercise of each Warrant and the Exercise Price shall be subject to adjustment from time to time upon the happening of the events set forth in this Section 7.

7.1 Mechanical Adjustments--SGI.

(a) If SGI shall at any time prior to the exercise of the Warrant issued hereby (i) pay a dividend in Shares or makes a pro rata distribution to all of its shareholders in Shares, (ii) subdivide its outstanding Shares into a greater number of Shares, or (iii) combine its outstanding Shares into a smaller number of Shares, the Exercise Price in effect immediately after the record date for such dividend or distribution or the effective date of such subdivision or combination shall be adjusted so that it shall equal the price determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be the number of Shares outstanding immediately before such dividend, distribution, subdivision or combination, and the denominator of which shall be the number of Shares outstanding immediately after such dividend, distribution, subdivision or combination. Such adjustments shall be made successively whenever any event specified above shall occur.

(b) If SGI shall at any time prior to the exercise of the Warrant issued hereby declare a distribution (other than a distribution consisting solely of Shares) or otherwise distribute pro rata to all of its shareholders any assets, cash, property, rights, evidences of indebtedness or securities (other than Shares), a Warrantholder holding the unexercised Warrant shall thereafter be entitled, in addition to the Shares properly receivable upon the exercise thereof, to receive at no additional cost, upon the exercise of the Warrant, the same property, assets, cash, rights, evidences of indebtedness or securities that it would have been entitled to receive at the time of such distribution as if the Warrant had been exercised immediately prior to such distribution.

(c) No adjustment need be made in connection with the issuance of any Shares or other securities of SGI or a successor to the business of SGI in a bona fide public offering pursuant to a firm commitment underwriting managed by a nationally recognized investment banking firm which is a member of the National Association of Securities Dealers, Inc. or for a price determined to be reasonable by the Board of Directors of SGI.

(d) In case any event shall occur as to which the provisions of Section 7.1 are not strictly applicable but the failure to make any adjustment would not fairly protect rights represented by the Warrant in accordance with the essential intent and principles of such sections, then, in each case, SGI shall appoint a nationally recognized firm of certified public accountants (which may be the regular auditors of SGI), which shall give their opinion upon the adjustment, if any, on a basis consistent with the essential intent and principles established in Section 7, necessary to preserve, without dilution, the purchase rights represented by the Warrant. Upon receipt of such opinion, SGI will promptly mail a copy thereof to the holder of the Warrant and shall make the adjustments described therein.

7.2 Notice of Adjustment. Whenever the number of Shares purchasable upon the exercise of the Warrant or the Exercise Price of such Shares is to be adjusted, as herein provided, SGI shall give

reasonable advance notice to the Warrantholder (at least 20 days prior to the date on which the event requiring adjustment is expected to occur) by first class mail, postage prepaid, with a certificate of SGI, confirmed as to mathematical accuracy by a firm of independent certified public accountants selected by SGI (who may be the regular auditors employed by SGI), setting forth the number of Shares purchasable upon the exercise of the Warrant and the Exercise Price of such Shares after such adjustment and a brief statement of the facts requiring such adjustment and the computation by which such adjustment was made.

7.3 Reorganizations. In case of any capital reorganization, other than in the cases referred to in Section 7.1 hereto, or the consolidation or merger of SGI with or into another entity (other than a merger or consolidation in which SGI is the continuing entity and which does not result in any reclassification of the outstanding Shares or the conversion of such outstanding Shares into shares of stock or other securities or property), or the sale of the property of SGI as an entirety or substantially as an entirety (collectively such actions hereinafter being referred to as "Reorganizations"), there shall thereafter be deliverable upon exercise of a Warrant (in lieu of the number of Shares theretofore deliverable) the number of shares of stock or other securities or property to which a holder of the number of Shares which would otherwise have been deliverable upon the exercise of such Warrant would have been entitled upon such Reorganization if such Warrant had been exercised in full immediately prior to such Reorganization. In case of any Reorganization, appropriate adjustment, as reasonably determined by a nationally recognized independent certified public accounting firm selected by SGI (who may be the regular auditors employed by SGI), shall be made in the application of the provisions herein set forth with respect to the rights and interests of the Warrantholder so that the provisions set forth herein shall thereafter be applicable, as nearly as possible, in relation to any shares or other property thereafter deliverable upon exercise of the Warrant. SGI shall not effect any such Reorganization unless upon or prior to the consummation thereof the successor entity, or if SGI shall be the surviving entity in any such Reorganization and is not the issuer of the shares of stock or other securities or property to be delivered to holders of Shares outstanding at the effective time thereof, then such issuer shall assume by written instrument the obligation to deliver to the Warrantholder such shares of stock, securities, cash or other property as the Warrantholder shall be entitled to purchase in accordance with the foregoing provisions. No provision of this Warrant and no right or option granted or conferred hereunder shall in any way limit, affect or abridge the exercise by SGI of any of its corporate rights or powers to recapitalize, amend its Memorandum, reorganize, consolidate or merge with or into another corporation, or to transfer all or any part of its property or assets, or the exercise of any other of its corporate rights and powers.

7.4 Statement on Warrants. Irrespective of any adjustments in the Exercise Price or the number or kind of Shares purchasable upon the exercise of the Warrants, Warrants theretofore or thereafter issued may continue to express on their face the same price and number and kind of Shares as are stated in the Warrant initially issuable pursuant to this Agreement and such shall not in any way affect the adjusted Exercise Price or number of Shares issuable upon exercise.

Section 8. SGI's Representations and Warranties. SGI hereby represents and warrants to each Warrantholder as of the date hereof as follows:

8.1 Status. SGI is an exempted company duly formed, validly existing and in good standing under the laws of Bermuda.

8.2 Power. SGI has all requisite corporate power and authority to own and operate its properties, to carry on its business as now conducted, and to enter into this Agreement and to carry out its obligations under this Agreement. All corporate or similar action required to be taken by SGI in connection with the execution, delivery and performance of this Agreement has been duly taken.

8.3 No Conflicts. Neither the execution and delivery of this Agreement nor the performance by SGI of any of SGI's obligations hereunder, will (i) conflict with, result in a breach of, or constitute (with notice, lapse of time or both) a default under, or result in the creation or imposition of any lien, charge, security interests or other encumbrance upon any of SGI's property pursuant to the terms of any indenture, mortgage, deed of trust, security agreement, loan agreement, license, lease, undertaking or any other agreement, instrument or document to which SGI is a party, by which SGI is bound or to which any of SGI's properties are subject, the conflict with, breach of or default under, or the creation or imposition of which, would have an adverse effect on the ability of SGI to fully and timely perform any of its obligations under this Agreement, or (ii) violate the Memorandum of Association or Bye-Laws, or (iii) violate any provision of any federal, state or local law, rule or regulation to which SGI is subject, or any judgment, writ, decree, injunction or order to which SGI is a party or by which SGI is bound, which violation would have an adverse effect on the ability of SGI to perform its obligations hereunder, or a material adverse effect on the business, assets or financial condition of SGI.

8.4 Binding Obligation. This Agreement constitutes the legal, valid and binding obligation of SGI, enforceable in accordance with its terms.

Section 9. Warrantholder's Representations and Warranties. The holder of this Warrant, by the acceptance hereof, represents that it is acquiring this Warrant and Shares purchasable upon exercise of the Warrant for its own account for investment and not with a view to, or for sale in connection with, any distribution hereof or of any of the Shares or other securities issuable upon the exercise thereof, and not with any present intention of distributing any of the same. Upon exercise of this Warrant, the holder shall, if requested by SGI, confirm in writing, in a form satisfactory to SGI, that Shares purchasable upon exercise of the Warrant so purchased are being acquired solely for the holder's own account and not as a nominee for any other party, for investment, and not with a view toward distribution or resale and that such holder is an Accredited Investor. If such holder cannot make such representations because they would be factually incorrect, it shall be a condition to such holder's exercise of the Warrant that SGI receive such other representations as SGI considers reasonably necessary to assure SGI that the issuance of its securities upon exercise of the Warrant shall not violate any United States or state securities laws.

Section 10. Information to Warrantholder. In addition to any other rights to notice pursuant to this Agreement, SGI shall provide the following information to the Warrantholder after the Commencement Date:

(i) information regarding any distribution by SGI to the owners of any equity securities of SGI;

(ii) information regarding the granting to owners of any equity securities of SGI, including holders of Shares, of any rights to subscribe for or purchase any equity securities of SGI since the date of this Agreement;

(iii) information regarding any amendment to the Memorandum of Association or Bye-Laws of SGI since the date of this Agreement;

(iv) information regarding any proposed reclassification or change in any Shares or any consolidation, merger, or sale of substantially all of the assets, property or business of SGI; or

(v) such written information, documents and reports as have been delivered to all shareholders of SGI since the date of this Agreement; and

(vi) such additional information as the Warrantholder may reasonably request.

Section 11. Warrantholder Not a Shareholder. The Warrantholder, as the holder of the Warrant, shall not be, and shall not have any of the rights or privileges of, a Shareholder of SGI with respect to the Shares purchasable hereunder, unless and until the Shares shall have been issued and delivered to such Warrantholder in accordance with this Warrant Agreement.

Section 12. Notices. Any notices or other communications required or permitted to be given hereunder shall be in writing and either delivered in person, sent by courier, sent by mail, registered or certified mail, postage prepaid, return receipt requested, or sent by facsimile transmission and addressed to SGI at 595 Howe Street, Suite 1115, Vancouver, British Columbia V6C 2T5, Canada, Attn: Malcolm P. Burke, facsimile no.: 604-687-8678 (with a copy to Altheimer & Gray, 10 South Wacker Drive, Suite 4000, Chicago, Illinois 60606, Attn: Andrew W. McCune, facsimile no.: 312-715-4800) and to the Warrantholder as set forth on the signature page to this Agreement, or such other address as either party may from time to time specify in writing to the other in the manner aforesaid. Such notices or communications shall be deemed delivered upon personal or courier delivery or refusal of such delivery, five (5) business days after being sent by mail, as set forth above or the first business day following confirmed transmission if sent by facsimile transmission; provided such notice or other communication is also mailed in accordance with the foregoing requirements within two (2) days of delivery by facsimile.

Section 13. Successors and Assigns/Assignment.

13.1 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their permitted successors and assigns hereunder; provided, however, that neither this Agreement nor the Warrant Certificate may be sold, assigned or transferred by any Warrantholder (i) in the absence of an effective registration statement or an exemption from such requirement under the Act, qualification or exemption from such requirement under any applicable state laws or an opinion of counsel in form and substance satisfactory to SGI that registration is not required under the Act and under any applicable state laws; (ii) except as permitted pursuant to and in compliance with the applicable gaming laws and regulations; and (iii) with prior consent of SGI.

13.2 Assignment. Neither this Agreement, any Warrant nor any Warrant Certificate may be sold, assigned or otherwise transferred, except to an Affiliate of Warrantholder, unless SGI shall have consented thereto. It shall be a condition to such assignment that the assignee execute a copy of this Agreement. SGI may not be sell, assign or otherwise transfer this Agreement, except to an Affiliate of SGI, unless the Warrantholder shall have consented thereto. As used herein, an "Affiliate" is any person or entity which controls a party to this Agreement, which that party controls, or which is under common control with that party. "Control" means the power, direct or indirect, to direct or cause the direction of the management and policies of a person or entity through voting securities, contract or otherwise.

Section 14. Fractional Shares. Fractional Shares shall not be issued to the Warrantholder on exercise of any Warrant. In lieu thereof, the Warrantholder shall receive the nearest whole number of Shares to which the Warrantholder is entitled on such exercise.

Section 15. Applicable Law. This Agreement, the Warrant and the Warrant Certificate issued hereunder shall be governed by and construed in accordance with the laws of the State of Tennessee, without giving effect to the conflicts of laws principles thereof.

Section 16. No Third Party Benefits. This Agreement shall not be construed to give to any person or entity, other than SGI and the Warrantholder, any legal or equitable right, remedy or claim under this Agreement, the Warrant or the Warrant Certificates, and this Agreement, the Warrants and the Warrant Certificates shall be for the sole and exclusive benefit of SGI and the Warrantholder.

Section 17. Counterparts. This Agreement may be executed in any number of counterparts or duplicate originals, each of which shall be an original, but all of which together shall constitute one instrument.

Section 18. Entire Understanding. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters set forth herein and supersedes all prior agreements, understandings and arrangements with respect to the matters herein. This Agreement cannot be modified except by a written instrument signed by SGI and the Warrantholder.

Section 19. Attorneys' Fees. If an action is instituted by any of the parties hereto in any court of law or equity pertaining to the interpretation or enforcement of any of the provisions of this Agreement, the prevailing party shall be entitled to recover, in addition to any judgment or decree rendered therein, all court costs and reasonable attorneys' fees and expenses.

Section 20. Specific Performance/Cumulative Remedies. SGI acknowledges that, if it breaches any of its obligations hereunder, the Warrantholder shall suffer irreparable injury for which damages shall be insufficient, and that the Warrantholder, individually or as a group, shall have the right of specific performance of such obligations. Notwithstanding the foregoing, the remedies available to the Warrantholder in the event of a breach by SGI of this Agreement shall be cumulative of those at law, equity or otherwise.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused this Agreement to be duly executed as of the day and year first above written.

SKY GAMES INTERNATIONAL LTD.

By: /s/ Malcolm P. Burke

Name: Malcolm P. Burke

Title: President

HARRAH'S INTERACTIVE INVESTMENT COMPANY

By: /s/ John M. Boushy

Name: John M. Boushy

Title: Senior Vice President

Address: 1023 Cherry Road
Memphis, Tennessee 38117
Facsimile: 901-762-8914

EXHIBIT A

WARRANTHOLDER

Name	Shares Issuable on Exercise
Harrah's Interactive Investment Company	The number of Shares equal to 1,000,000 Shares less the number of Shares issued pursuant to conversion of that certain Convertible Secured Promissory Note dated the date hereof issued under that certain Funding Agreement dated the date hereof between SGI and IEL, as borrower, and Warrantholder, as lender. If SGI shall at any time prior to the exercise of the Warrant (i) pay a dividend in Shares or makes a pro rata distribution to all of its Shareholders in Shares, (ii) subdivide its outstanding Shares into a greater number of Shares, or (iii) combine its outstanding Shares, the Exercise Price in effect immediately after the record date for such dividend shall be adjusted so that it shall equal the price determined by multiplying the Exercise Price in effect immediately prior thereto by a fraction, the numerator of which shall be the number of Shares outstanding immediately before such dividend, distribution, subdivision or combination. Such adjustments shall be made successively whenever any event specified shall occur.

EXHIBIT B

WARRANT CERTIFICATE

No. 1

THE SECURITIES EVIDENCED BY THIS CERTIFICATE AND THE SECURITIES THAT MAY BE ACQUIRED UPON ITS EXERCISE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR QUALIFIED UNDER ANY STATE SECURITIES LAWS. NEITHER THIS WARRANT NOR THE SECURITIES THAT MAY BE ACQUIRED UPON ITS EXERCISE MAY BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER THE ACT AND QUALIFICATION UNDER ANY APPLICABLE STATE SECURITIES LAWS OR AN EXEMPTION THEREFROM, OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO SGI THAT SUCH REGISTRATION OR QUALIFICATION OR BOTH IS NOT REQUIRED.

WARRANT TO PURCHASE SHARES OF

SKY GAMES INTERNATIONAL LTD.

VOID AFTER 5:00 P.M. MEMPHIS TIME
ON
_____ __, 1997

This Warrant Certificate certifies that, for value received, Harrah's Interactive Investment Company, a Nevada corporation (the "Warrantholder"), the registered holder hereof, or its permitted assigns, is entitled to purchase _____ from SKY GAMES INTERNATIONAL, a Bermuda exempted company ("SGI"), the Shares of SGI or such other number of Shares as the Warrantholder then is entitled to purchase pursuant to the Warrant Agreement (as hereinafter defined). The right granted herein may be exercised at the times and in the amounts on and after the Commencement Date (as such date is defined in the Warrant Agreement) specified in the Warrant Agreement and shall terminate at the Termination Date (as such date is defined in the Warrant Agreement) specified in the Warrant Agreement. Closing of such exercise is subject to the satisfaction of several conditions set forth in the Warrant Agreement. The purchase price for each Share upon exercise of this Warrant initially shall be as set forth in the Warrant Agreement (the "Exercise Price"). The Exercise Price and the number of Shares of SGI purchasable upon exercise of this Warrant are subject to adjustment from time to time as set forth in the Warrant Agreement.

Subject to the terms of the Warrant Agreement, this Warrant may be exercised in whole or in part by presentation of this Warrant Certificate with the Exercise Form and Investment Certificate attached hereto duly completed and executed and simultaneous payment of the Exercise Price for all of the Shares for which the Warrant is then exercised at the principal office of SGI. Payment of such Exercise Price shall be made to SGI in cash, by certified bank or cashier's check made payable to the order of SGI or other immediately available funds.

This Warrant Certificate is issued under and in accordance with the Warrant Agreement dated as of May __, 1997 (the "Warrant Agreement"), between SGI and the Warrantholder named therein, and is subject to the terms and provisions contained in the Warrant Agreement, to, which the Warrantholder consents by acceptance hereof.

This Warrant Certificate is transferable at the office of SGI in the manner and subject to the limitations set forth in the Warrant Agreement.

Neither this Warrant Certificate nor the Warrant entitles the Warrantholder to any of the rights of a partner or a Shareholder of SGI.

IN WITNESS WHEREOF, SGI has caused this Warrant Certificate to be duly executed and delivered by its duly authorized officer as of May __, 1997.

SKY GAMES INTERNATIONAL LTD.

By: ----------

Name: ----------

Title: ----------

EXHIBIT C

TO WARRANT CERTIFICATE

EXERCISE FORM

The undersigned hereby irrevocably elects to exercise the Warrant represented by Warrant Certificate No. 1 dated as of May __, 1997, of Sky Games International Ltd. ("SGI"), and pursuant to the terms of that certain Warrant Agreement dated as of May __, 1997 between SGI and the Warrantholder, hereby tenders to SGI the aggregate payment therefor of $_____, for _____ Shares of Common Stock, par value Cdn. $.01.

Name_____

Address_____

Signature_____

Date_____

(Signature must conform in all respects to name of Warrantholder on the face of the Warrant Certificate.)

EXHIBIT 6

CONVERTIBLE SECURED PROMISSORY NOTE

$1,000,000 Memphis, Shelby County, Tennessee
May 13, 1997

This PROMISSORY NOTE (this "Note") is executed as of this 13th day of May, 1997, by Interactive Entertainment Limited, a Bermuda exempted company ("IEL"), whose address is c/o Harrah's Interactive Entertainment Company, 1023 Cherry Road, Memphis, Tennessee 38117 (facsimile no.: 901-762-8914), in favor of Harrah's Interactive Investment Company, a Nevada corporation ("HIIC" or "Holder"), whose legal address is 1023 Cherry Road, Memphis, Tennessee 38117.

1. Promise to Pay. For value received, Maker hereby promises to pay to the order of Holder the principal sum equal to the lesser of $1,000,000 or the aggregate amounts advanced hereunder ("Loan Amount") pursuant to the terms and conditions of that certain Funding Agreement between, inter alia, Maker and Holder dated contemporaneously herewith (the "Funding Agreement") and related Financing Agreements (as defined in the Funding Agreement), together with interest thereon at the rate as hereinafter specified, all in lawful money of the United States of America which constitutes legal tender for payment of debts, public and private, at the time of payment.

2. Interest Rate. Interest on the unpaid principal balance of this Note outstanding from the date hereof and from time to time shall be paid at a rate equal to the prime rate, plus two percent (2%) per annum ("Interest Rate"). The prime rate shall be that as published from time to time in The Wall Street Journal. Interest payable hereunder shall be calculated on a 360-day year based on the actual number of days for which any amounts payable hereunder remain outstanding.

3. Maturity Date. The "Maturity Date" shall mean June 21, 1997. The entire outstanding principal balance of this Note, together with all accrued but unpaid interest, shall, if not previously paid (including by way of conversion into Shares (as herein defined) pursuant to Section 7 hereof), be finally due and payable on the Maturity Date.

4. Payment Schedule. Interest shall accrue on the outstanding principal balance hereunder at the Interest Rate. Payments of interest only shall be payable by withholding amounts equal to accrued and unpaid interest from each advance hereunder subsequent to the initial advance until the Maturity Date, at which time the entire outstanding principal balance of this Note together with all accrued but unpaid interest hereunder shall, if not previously paid, be fully due and payable.

5. Prepayment Privilege. Maker shall have the right to prepay all or any portion of the Loan Amount, plus an accrued and unpaid interest thereon, at any time; provided, however, that Maker shall give Holder at least five (5) days' prior written notice of any proposed prepayment.

6. Security. The obligations of Maker under this Note shall be secured by the Security Agreement dated as of the date hereof attached as Exhibit E to the Funding Agreement and guaranteed by the Guaranty dated as of the date hereof attached as Exhibit C to the Funding Agreement, and any and all other documents which may be delivered in connection with the granting or perfection of such security or which may secure this Note from time to time (collectively, the "Security Documents"). Maker agrees to take such other

action and execute such other documents as may be requested by Holder to perfect its security interest in such collateral.

7. Conversion. Effective immediately upon consummation of the amalgamation of IEL and SGI Holding Corporation Limited ("SGIH"), the outstanding Loan Amount and accrued interest due hereunder as of the date of such amalgamation (the "Outstanding Amount") shall automatically convert into the number of shares of common stock, par value Cdn$.01 per share, of SGI ("Shares") at the conversion price per Share of $1.00 (the "Conversion Price") without any further action required by either Maker or Holder.

In the event of any capital reorganization or reclassification of the Shares, any consolidation or merger of Maker with or into a corporation, limited partnership, limited liability company or other entity or any sale, lease or other disposition of all or substantially all of the assets of Maker, that is effected in such a manner that holders of Shares are entitled to receive securities and/or property (including cash) with respect to or in exchange for Shares and that does not result in a prepayment by Maker pursuant to Section 5, Maker shall, as a condition precedent to such transaction, cause effective provision to be made so that Holder, or an affiliate of Holder, shall have the right thereafter to convert this Note for the kind and amount of securities and/or other property receivable upon such event by a holder of the number of Shares for which this Note could have been converted immediately prior to such event.

In the event that SGI shall at any time prior to the exercise of the conversion of the Note, (i) pay a dividend in Shares or make a pro rata distribution to all of its shareholders in Shares, (ii) subdivide its outstanding Shares into a greater number of Shares, or (iii) combine its outstanding Shares into a smaller number of Shares, the Conversion Price in effect immediately after the record date for such dividend or distribution or the effective date of such subdivision or combination shall be adjusted so that it shall equal the price determined by multiplying the Conversion Price in effect immediately prior thereto by a fraction, the numerator of which shall be the number of Shares outstanding immediately before such dividend, distribution, subdivision or combination, and the denominator of which shall be the number of Shares outstanding immediately after such dividend, distribution, subdivision or combination. Such adjustments shall be made successively whenever any event specified above shall occur.

8. Application of Payments. All payments hereunder shall be applied first to the payment of late charges on defaulted payments as hereinafter provided; second, to the payment of accrued and unpaid interest on the principal of this Note, including interest accrued at the Default Rate as hereinafter provided; and third, to the reduction of principal of this Note.

9. Default Interest Rate and Late Charge on Defaulted Payments. Any payment not make within five (5) days after the same is due hereunder, and including the entire balance of principal, interest and other sums due upon the maturity hereof, by acceleration or otherwise, shall bear interest at three percent (3%) above the then current Interest Rate ("Default Rate"), such interest to accrue from the date due until paid. In addition, a late charge of four cents ($.04) per dollar shall be due and payable on all sums not paid when due but not on any sums due by reason of acceleration.

10. Default. Each of the following shall constitute an "Event of Default" under this Note:

(a) the failure of Maker to pay in full any amount due hereunder by the date the same is due, as provided herein, and such failure shall continue for five (5) days after written notice from Holder to Maker of such failure, or Maker's failure to pay in full any amount due hereunder upon maturity of this Note, by acceleration or otherwise;

(b) the failure of Maker to perform, satisfy and observe in all material respects, when due, any of the obligations, covenants, conditions and restrictions under the Financing Agreements or the failure of any representations and warranties thereunder to be true and correct in any material respect, not involving the payment of money, and such failure shall continue for fifteen (15) days after written notice from Holder to Maker of such failure, or if said failure cannot reasonably be cured within said fifteen (15)-day period, Maker shall not have pursued the cure with reasonable diligence and shall not have cured such failure within sixty (60) days after the written notice from Holder to Maker or SGI and SGIH described above;

(c) an uncured default by Maker shall exist under the Security Documents; or

(d) an uncured default by either or both of SGI or SGIH shall exist under any of the Financing Agreements.

11. Right to Accelerate on Event of Default. Upon any uncured Event of Default hereunder, the entire balance of principal, accrued interest, and any other sum owing hereunder shall, at the option of Holder, become at once due and payable without prior notice or demand.

12. Waivers of Demand, etc. Maker and all parties now or hereafter liable for the payment hereof, primarily or secondarily, directly or indirectly, and whether as endorser, guarantor, surety, or otherwise, severally waive demand, presentment, notice of dishonor or nonpayment, protest and notice of protest, and diligence in collecting, and consent to extensions of time for payment, renewals of this Note and acceptance of partial payments, whether before, at, or after maturity, all or any of which may be made without notice to any of said parties and without affecting their liability to Holder.

13. Costs of Collection. Maker and all parties now or hereafter liable for the payment hereof agree, jointly and severally, to pay all costs and expenses, including reasonable attorneys' fees, incurred in collecting this Note or any part thereof.

14. No Usury Payable. The provisions of this Note and of all Agreements between Maker and Holder are hereby expressly limited so that in no contingency or event whatsoever shall the amount paid, or agreed to be paid, to Holder for the use, forbearance, or retention of the Loan Amount ("Interest") exceed the maximum amount permissible under applicable law. If, from any circumstance whatsoever, the performance or fulfillment of any provision hereof or of any other agreement between Maker and Holder shall, at the time performance or fulfillment of such provision shall be due, exceed the limit for Interest prescribed by law, then, ipso facto, the obligation to be performed or fulfilled shall be reduced to such limit. If, from any circumstance whatsoever, Holder should ever receive as Interest an amount which would exceed the highest lawful rate, the amount which would be excessive Interest shall be applied to the reduction of the principal balance owing hereunder (or, at Holder's option, or if no principal shall be outstanding, be paid over to Maker) and not to the payment of Interest.

15. Severability of Provisions. If any provision hereof shall, for any reason and to any extent, be invalid or unenforceable, then the remainder of the instrument in which such provision is contained, the application of the provision to other persons, entities or circumstances, and any other instrument referred to herein shall not be affected hereby but instead shall be enforceable to the maximum extent permitted by law.

16. Successors to Maker or Holder. The term "Maker" as used herein shall include the original maker of this Note and any party who may subsequently become primarily liable for the payments hereof. The term "Holder" as used herein shall mean the original payee of this Note or, if this Note is transferred, the then

holder of this note, provide that this Note shall not be transferred, negotiated or assigned, except to an Affiliate of Holder, without the prior consent of Maker, which consent shall not be unreasonably withheld, and, until written notice is given to IEL designating another party as Holder, Maker may consider the Holder to be the original payee or the party last designated as Holder in a written notice to IEL. As used herein "Affiliate" is any person or entity which controls a party to the Financing Agreements, which that person controls, or which is under common control with that party. "Control" means the power, direct or indirect, to direct or cause the direction of the management and policies of a person or entity through voting securities, contract or otherwise.

17. Notices. All notices and other communications to be delivered or made under this Note shall be in writing, signed by the party giving the same, and shall be deemed properly given and shall be effective (i) five (5) business days after mailed, if sent by registered or certified mail, postage prepaid, (ii) when actually received or delivery is refused, if delivered personally or delivered by courier, (iii) upon the first business day following confirmed transmission, if transmitted by facsimile; provided such notice or communication is also mailed in accordance with the foregoing requirement within two (2) days of delivery by facsimile to the address set forth in the first paragraph of this Note, or to such other address as a party may designate by written notice to the other party.

18. Captions for Convenience. The captions to the Sections hereof are for convenience only and shall not be considered in interpreting the provisions hereof.

19. Governing Law. Regardless of the place of its execution, this Note shall be construed and enforced in accordance with the laws of the State of Tennessee.

MAKER:

INTERACTIVE ENTERTAINMENT LIMITED

By: /s/ Malcolm P. Burke

Its: Vice President

HOLDER:

HARRAH'S INTERACTIVE INVESTMENT COMPANY

By: /s/ John M. Boushy

Its: Senior Vice President

AGREEMENT AND ACKNOWLEDGMENT

Sky Games International Ltd., a Bermuda exempted company ("SGI"), hereby acknowledges that the Outstanding Amount under this Note may convert into shares of common stock, Cdn$.01 per share ("Shares"), of SGI under certain circumstances and hereby agrees to issue Shares in accordance with the terms of this Note in the event of any such conversion.

SKY GAMES INTERNATIONAL LTD.

By: /s/ Malcolm P. Burke

Its: President

EXHIBIT 7

[EXECUTION COPY]

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Security Agreement") dated as of May 13, 1997 is entered into by Interactive Entertainment Limited, a Bermuda exempted company ("Debtor") and Harrah's Interactive Investment Company, a Nevada corporation (the "Secured Party").

Recitals:

A. SGI Holding Corporation Limited ("SGIH") and Debtor have requested that the Secured Party provide Debtor with a loan to Debtor (the "Loan"), which Loan will provide Debtor with funds necessary to permit Debtor to carry on Debtor's day-to-day business activities.

B. The Secured Party has agreed, although the Secured Party is under no obligation to do so, to make such Loans and other financial accommodations to Debtor from time to time which are pursuant to and reflected in the Funding Agreement, the Convertible Promissory Note (the "Note"), the Pledge and Security Agreement, the Guaranty, the Warrant Agreement, all of even date herewith (collectively, with this Security Agreement, the "Financing Agreements").

C. Secured Party's agreement to make the Loan is conditioned on the guaranty of such Loan by SGIH, the receipt of a security interest in all of the assets of IEL as evidenced by this Security Agreement.

Agreements:

NOW, THEREFORE, in consideration of the premises set forth therein, and to induce Secured Party to make the Loan and financial accommodations to Debtor on the terms and provisions and as reflected in the Note and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions. The following terms shall have the following meanings:

"Accounts" shall mean any "account," as such term is defined in the Uniform Commercial Code.

"Chattel Paper" shall mean any "chattel paper," as such term is defined in the Uniform Commercial Code.

"Collateral" is defined in Section 2 hereof.

"Contracts" shall mean all contracts, undertakings or other agreements (other than rights evidenced by Chattel Paper or Documents) in or under which Debtor may now or hereafter have any right, title or interest, including, without limitation, with respect to an Account, any agreement relating to the terms of payment or the terms of performance thereof.

"Copyrights" shall mean any of Debtor's copyrights, rights and interests in copyrights, works protectible by copyrights, copyright registrations and copyright applications and all renewals of any of the foregoing, all income, royalties, damages and payments now or hereafter due or payable under or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future

infringements of any of the foregoing and the right to sue for past, present and future infringements of any of the foregoing.

"Default" shall mean the occurrence of an uncured Event of Default.

"Documents" shall mean any "documents," as such term is defined in the Uniform Commercial Code.

"Event of Default" shall mean an uncured event of default under the Financing Agreements.

"Equipment" shall mean any "equipment," as such term is defined in the Uniform Commercial Code and shall include motor vehicles, tractors, trailers and other like property, whether or not the title thereto is governed by a certificate of title or ownership.

"General Intangibles" shall mean any "general intangibles," as such term is defined in the Uniform Commercial Code and shall include, without limitation, all right, title and interest in or under any Contract, drawings, materials and records, claims, literary rights, goodwill, rights of performance, Copyrights, Trademarks, Patents, warranties, rights under insurance policies and rights of indemnification.

"Goods" shall mean any "goods," as such term is defined in the Uniform Commercial Code.

"Inventory" shall mean any "inventory," as such term is defined in the Uniform Commercial Code.

"Investment Property" shall mean any "certificated security," or "uncertificated security" as such terms are defined in the Uniform Commercial Code.

"Patents" shall mean any of Debtor's patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein, all patentable inventions and the reissues, divisions, continuation, renewals, extensions and continuations-in-part of any of the foregoing, and all income, royalties, damages and payments now or hereafter due or payable under or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future infringements of any of the foregoing and the right to sue for past, present and future infringements of any of the foregoing.

"Proceeds" shall mean "proceeds," as such term is defined in the Uniform Commercial Code and shall include, without limitation, (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable with respect to any of the Collateral, (b) any and all payments, in any form whatsoever, made or due and payable from time to time in connection with any confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority, and (c) any and all other amounts from time to time paid or payable under, in respect of or in connection with any of the Collateral.

"Trademarks" shall mean any of Debtor's trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other business identifiers, prints and labels on which any of the foregoing have appeared or appear, all registrations and recordings thereof, and all applications in connection therewith and renewals thereof, and all income, royalties, damages and payments now or hereafter due or payable under or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future infringements of any of the foregoing and the right to sue for past, present and future infringements of any of the foregoing.

"Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect from time to time in the State of Tennessee; provided, however, if, by reason of mandatory provisions of law, the attachment, perfection or priority of Secured Party's security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of Tennessee, the term "Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

2. Grant of Security Interest. As collateral security for the Loan, Debtor hereby pledges and grants to Secured Party a lien on and security interest in and to all of Debtor's right, title and interest in the following property and interests in property, whether now owned or hereafter acquired by Debtor and wherever located (collectively, the "Collateral"):

(a) all Accounts;

(b) all Inventory;

(c) all General Intangibles;

(d) all Equipment;

(e) all Documents;

(f) all Contracts, including, without limitation, that certain Cross-License Agreement, dated as of December 30, 1994, between Harrah's Interactive Entertainment Company, a Nevada corporation and an affiliate of Secured Party ("HIEC"), and Sky Games International Ltd., a Bermuda exempted company f/k/a Creator Capital Inc., an affiliate of SGIH ("SGI"), a copy of which is attached as Exhibit A hereto;

(g) all Goods;

(h) all Investment Property;

(i) all bank and depositary accounts maintained by Debtor, all funds on deposit therein, all investments arising out of such funds, all claims thereunder or in connection therewith, and all cash, securities, rights and other property at any time and from time to time received, receivable or otherwise distributed in respect of such accounts; and

(j) all other tangible and intangible property of Debtor, including without limitation, all Proceeds, products, accessions, rents, profits, income, benefits, substitutions, additions and replacement of and to any of the property described in this Section 2 including, without limitation, any proceeds of insurance thereon and all rights, claims and benefits against any person relating thereto) and all books, correspondence files, records, invoices and other papers, including, without limitation, all tapes, cards, computer runs, computer programs, computer files and other papers, documents and records in the possession or under the control of Debtor or any computer bureau or service company from time to time acting for Debtor.

3. Representations, Warranties and Covenants of Debtor. Debtor represents and warrants to, and covenants with, Secured Party as follows:

(a) This Agreement is effective to create in favor of Secured Party a valid security interest in and lien upon all of Debtor's right, title and interest in and to the Collateral and, upon the filing of appropriate Uniform Commercial Code financing statements, such security interest will be duly perfected in all of the Collateral.

(b) Debtor has full right, power and authority to assign and transfer its interest in the Collateral to Secured Party and to confer upon Secured Party the rights, interests, powers and authorities herein granted and conferred.

(c) Debtor's interests in the Collateral are not subject to any claim, setoff, lien or encumbrance of any nature, except as created hereby.

4. Agreements of Debtor. Debtor hereby agrees with Secured Party as follows:

(a) Other Documents and Actions. Debtor shall give, execute, deliver, file or record any financing statement, notice, instrument, agreement or other document that may be necessary or desirable in the reasonable judgment of Secured Party to create, preserve, perfect or validate the security interest granted pursuant hereto or to enable Secured Party to exercise and enforce the rights of Secured Party hereunder with respect to such security interest.

(b) Books and Records. Debtor shall maintain complete and accurate books and records of the Collateral, including, without limitation, a record of all payments received and all credits granted with respect to the Collateral and all other dealings with the Collateral. Debtor shall permit any representative of Secured Party to inspect such books and records at any time during reasonable business hours and shall provide photocopies thereof to Secured Party upon the request of Secured Party.

(c) Further Identification of Collateral. Debtor shall, when and as often as reasonably requested by Secured Party, furnish to Secured Party, statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Secured Party may reasonably request, all in reasonable detail.

(d) Changes in Name; Location. Debtor shall notify Secured Party promptly in writing prior to any change in Debtor's name, identity or corporate structure or the proposed use by Debtor of any new trade name or fictitious business name.

(e) Collections. Until notice from Secured Party to the contrary, given at any time during any Default, Debtor shall, at its own expense, endeavor to collect all amounts due with respect to any of the Accounts and shall take such action with respect to such collection as Debtor may deem advisable.

5. Remedies. During the period of any Default:

(a) Secured Party shall have, in addition to other rights and remedies provided for herein or otherwise available to it, all of the rights and remedies of a Secured Party upon a default under the Uniform Commercial Code (whether or not the Uniform Commercial Code applies to the affected Collateral) and Secured Party may, without notice, demand or legal process of any kind except as may be required by law, at any time or times (i) enter Debtor's premises and take physical possession of the Collateral and maintain such possession on Debtor's premises or remove the Collateral or any part thereof to such other place or places as

Secured Party may desire, (ii) require Debtor to, and Debtor hereby agrees to, assemble the Collateral as directed by Secured Party and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to Secured Party and Debtor and (iii) either (x) retain the Collateral for Secured Party's own use and benefit, or (y) without notice except as specified below, sell, lease, assign, grant an option or options to purchase or otherwise dispose of the Collateral or any part thereof at public or private sale, at any exchange, broker's board or at any of the offices of Secured Party or elsewhere, for cash, on credit or for future delivery, and upon such other terms as Secured Party may deem commercially reasonable. Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor and such sale may, without further notice, be made at the time and place to which it was so adjourned;

(b) Secured Party may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments or otherwise modify the terms of, any of the Collateral; and

(c) Secured Party may, in the name of Secured Party or in the name of Debtor or otherwise, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so;

6. Deficiency; Application of Proceeds. If the proceeds of sale, collection or other realization of or upon the Collateral are insufficient to cover the costs and expenses of such realization and the payment in full of the amounts owed under the Notes, Debtor shall remain liable for any deficiency. The proceeds of any collection, sale or other realization of all or any part of the Collateral shall be applied: first, to payment of all expenses payable or reimbursable by Debtor under the Notes; second, to payment of all accrued unpaid interest on the Notes; third, to payment of principal of the Notes; and last, any remainder shall be for the account of and paid to Debtor.

7. Power of Attorney. Debtor hereby irrevocably constitutes and appoints Secured Party, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Debtor and in the name of Debtor or in its own name, from time to time in the discretion of Secured Party, after an uncured Event of Default, solely for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary to accomplish the purposes of this Agreement.

8. Termination. This Agreement and the liens and security interests granted hereunder shall terminate upon the satisfaction of the obligation under the Note, including by way of conversion of amounts outstanding under the Note into shares of common stock, Cdn. $.01 par value, of SGI in connection with the amalgamation of IEL with and into SGIH.

9. Further Assurances. At any time and from time to time, upon the request of Secured Party, and at the sole expense of Debtor, Debtor shall promptly and duly execute and deliver any and all such further instruments, documents and agreements and take such further actions as Secured Party may reasonably require in order for Secured Party to obtain the full benefits of this Agreement, including, without limitation, using Debtor's best efforts to secure all consents and approvals necessary or appropriate for the assignment to Secured Party of any Collateral held by Debtor or in which Debtor has any rights not heretofore assigned, the filing of any financing or continuation statements under the Uniform Commercial Code with respect to the Liens and security interests granted hereby, transferring Collateral to Secured Party's possession if a security interest in such Collateral can be perfected by possession, placing the interest of Secured Party as lienholder

on the certificate of title of any motor vehicle and obtaining waivers of liens from landlords and mortgagees. Debtor further hereby authorizes Secured Party to file any such financing or continuation statement without the signature of Debtor to the extent permitted by law.

10. Consent and Agreement of HIEC and SGI. HIEC's and SGI's consent to this Security Agreement and to Debtor's encumbering its interest in the Collateral as provided herein and HIEC's and SGI's agreement to the provisions, terms and conditions hereof is evidenced by the Consent and Agreement of HIEC and the Consent and Agreement of SGI attached hereto and made a part hereof.

11. No Assumption by Secured Party. Neither this Security Agreement nor any action or actions on the part of Secured Party shall constitute an assumption of any obligation, duty or liability on the part of Secured Party and Debtor shall continue to be liable for all its obligations in connection with the Collateral, Debtor hereby agreeing to perform each and all of its obligations under the Collateral and to indemnify and hold Secured Party free and harmless from and against any loss, cost, liability, damage or expense (including without limitation attorneys fees and expenses) resulting from any failure of Debtor to so perform.

12. General.

(a) No failure of Secured Party to avail itself of any of the terms and conditions of this Security Agreement for any period of time shall be construed to be a waiver of any of its rights hereunder and Secured Party shall have the full right and authority to enforce this Assignment or any of its terms at any time or times that Secured Party shall deem fit.

(b) Secured Party shall incur no liability to Debtor if any action taken by Secured Party or in its behalf in good faith pursuant to this Assignment or any of the other Financing Agreements shall prove to be in whole or in part inadequate or invalid.

(c) All notices and other communications to be delivered or made hereunder shall be in writing and shall be (i) delivered personally, (ii) sent by postage prepaid certified mail, return receipt requested, (iii) sent by express courier service, or (iv) sent by facsimile at the following addresses or at such other addresses as shall be described in written notice as provided herein:

Debtor: Interactive Entertainment Limited
595 Howe Street, Suite 1115
Vancouver, British Columbia V6C 2T5
Facsimile No.: 604-687-8678

With a copy to: Altheimer & Gray
10 South Wacker Drive, Suite 4000
Chicago, Illinois 60606
Attn: Andrew W. McCune, Esq.
Facsimile No.: 312-715-4800

Secured Party: Harrah's Interactive Investment Corporation
1023 Cherry Road
Memphis, Tennessee 38117
Attn: John M. Boushy

Facsimile No.: 901-762-8914

With a copy to: Harrah's Entertainment, Inc.
1023 Cherry Road
Memphis, Tennessee 38117
Attn: John W. McConomy, Esq.
Facsimile No.: 901-762-8735

All such notices and communications shall be effective, if mailed, upon expiration of the fifth (5th) day following the date of mailing (except that any notice of change of address shall be effective only upon receipt by the party to whom such notice is addressed), and if delivered personally or delivered by courier, upon receipt or refusal of delivery and if by facsimile, upon the first business day following confirmed transmission; provided such notice or communication is also mailed in accordance with the foregoing requirements within two (2) days of delivery by facsimile.

(d) This Security Agreement and the other Financing Agreements shall be governed by and construed in accordance with the laws of the State of Tennessee. Debtor and Secured party further agree that the determination of any action relating to this Security Agreement or any of the Financing Agreements delivered in favor of Secured Party shall be either an appropriate court of the State of Tennessee or the United States District Court for the Western District of Tennessee.

(e) All of the rights of Secured Party under this Assignment shall be cumulative and shall inure to the benefit of and may be enforced by Secured Party and its successors and assigns. All obligations of Debtor, HIEC and SGI hereunder shall be binding upon the legal representatives, successors and Debtors of Debtor, HIEC and SGI.

(f) The section headings in this Security Agreement are for convenience of reference only, are not to be considered in part hereof and shall not limit or otherwise affect any of the terms hereof.

(g) This Security Agreement may be executed in any number of counterparts each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Debtor has executed this Security Agreement as of the date first above written.

INTERACTIVE ENTERTAINMENT LIMITED

By:/s/ Malcolm P. Burke

Name: Malcolm P. Burke

Title: Vice President and Director

EXHIBIT A

CROSS-LICENSE AGREEMENT

CONSENT AND AGREEMENT
OF
SKY GAMES INTERNATIONAL LTD.

With respect to its interest in the Cross-License Agreement (the "Agreement") referred to in the attached Security Agreement (the "Security Agreement") from Interactive Entertainment Limited, a Bermuda exempted company ("Assignor"), to and for the benefit of Sky Games International Ltd., a Bermuda exempted company f/k/a Creator Capital Inc., a Yukon Territory corporation ("Assignee"), the undersigned ("SGI") hereby: (a) consents to Assignor's assignment of all of its right, title and interest in the Agreement as provided in the Assignment and to Assignor's encumbering its interest in the Agreement as provided therein; (b) confirms that the Exhibit A attached to the Agreement is a true, correct and complete copy of the Agreement, the Agreement is in full force and effect and constitutes and represents the entire agreement between Assignor and SGI with respect to the rights and licenses contained therein, there have been no modifications or additions thereto, written or oral, and there exists no breach, default or event of default which, with the giving of notice or the passage of time or both, would constitute a breach thereunder; (c) agrees to all of the provisions, terms and conditions set forth in the Assignment as they relate to SGI; (d) agrees to give the notices and certificates and observe and perform the agreements of SGI provided therein; and (e) agrees to recognize Assignee under the Agreement for all purposes as though Assignee were an original party thereunder upon Assignee's assumption of the Agreement pursuant to Section 5 or 6 of the Assignment.

IN WITNESS WHEREOF, SGI has executed this Consent and Agreement as of the date first set forth in the Assignment.

SKY GAMES INTERNATIONAL LTD.

By:/s/ Malcolm P. Burke

Name:Malcolm P. Burke

Title:President

CONSENT AND AGREEMENT
OF
HARRAH'S INTERACTIVE ENTERTAINMENT COMPANY

With respect to its interest in the Cross-License Agreement (the "Agreement") referred to in the attached Security Agreement (the "Security Agreement") from Interactive Entertainment Limited, a Bermuda exempted company ("Assignor"), to and for the benefit of Harrah's Interactive Investment Company, a Nevada corporation ("Assignee"), the undersigned ("HIEC") hereby: (a) consents to Assignor's assignment of all of its right, title and interest in the Agreement as provided in the Assignment and to Assignor's encumbering its interest in the Agreement as provided therein; (b) confirms that the Exhibit A attached to the Agreement is a true, correct and complete copy of the Agreement, the Agreement is in full force and effect and constitutes and represents the entire agreement between Assignor and HIEC with respect to the rights and licenses contained therein, there have been no modifications or additions thereto, written or oral, and there exists no breach, default or event of default which, with the giving of notice or the passage of time or both, would constitute a breach thereunder; (c) agrees to all of the provisions, terms and conditions set forth in the Assignment as they relate to HIEC; (d) agrees to give the notices and certificates and observe and perform the agreements of HIEC provided therein; and (e) agrees to recognize Assignee under the Agreement for all purposes as though Assignee were an original party thereunder upon Assignee's assumption of the Agreement pursuant to Section 5 or 6 of the Assignment.

IN WITNESS WHEREOF, HIEC has executed this Consent and Agreement as of the date first set forth in the Assignment.

HARRAH'S INTERACTIVE ENTERTAINMENT COMPANY

By:/s/ John M. Boushy

Name:John M. Boushy

Title:Senior Vice President

CROSS-LICENSE AGREEMENT

THIS CROSS-LICENSE AGREEMENT (this "Agreement") is made and entered into as of the ____ of December 1994, by and among Creator Capital Inc., a Yukon Territory corporation ("CCI"), Interactive Entertainment Limited, a Bermuda exempted company ("the Venture"), and Harrah's Interactive Entertainment Company, a Nevada corporation (the "Manager"). Sky Games International, Corp. ("SGIC"), a Nevada corporation and an Affiliate (as defined below) of CCI, and SGI Holding Corporation Limited ("SGI Holding"), a Bermuda exempted company and an Affiliate of CCI, are also executing this Agreement solely for the purposes of making the representations, warranties, covenants and agreements specifically made by them in Sections 5 and 8 of this Agreement and to become bound by the provisions of Sections 7 and 10 of this Agreement, and neither SGIC nor SGI Holding shall have any other liability or obligation under this Agreement. As used herein, the term "Affiliate" shall mean an entity, including without limitation a general partnership or a business trust, controlling, controlled by or under common control with another entity (except that the Venture shall not be deemed to be an Affiliate of either SGI Holding or the Manager or any of their respective Affiliates).

W I T N E S S E T H :

WHEREAS, SGIC has purchased and/or developed software, in both object code and source code format and including any and all documentation related thereto, in connection with the development of a computer-based interactive video system for the operation of gaming and related entertainment activities on-board aircraft and other venues or locations (which software is described generally on Schedule A attached hereto and hereby made a part hereof, and which is memorialized in its current form on diskette(s) attached hereto as Exhibit 1) and certain additional inventions (whether or not patentable), know-how, trade secrets and other proprietary information related to or in connection with such software (collectively, the "Software");

WHEREAS, CCI has acquired from SGIC all right, title and interest in and to the Software pursuant to an Assignment Agreement (the "SGIC Assignment"), a copy of which is attached hereto as Exhibit 2;

WHEREAS, the Venture has been recently formed as a Bermuda exempted company by SGI Holding, which owns 80% of the issued and outstanding stock of the Venture, and Harrah's Interactive Investment Company, a Nevada corporation and an Affiliate of the

Manager, which owns the remaining 20% of the issued and outstanding stock of the Venture, to develop, implement and operate gaming and other operations in the pursuit of the "Company Business" (as defined in that certain Shareholders Agreement, of even date herewith, among SGI Holding, Harrah's Interactive Investment Company and the Venture, and as such Shareholders Agreement may be amended from time to time (the "Shareholders Agreement"));

WHEREAS, the Venture has determined that it is in its best interest to obtain a license to use the Software, and CCI desires to license the Software to the Venture, on the terms and conditions stated herein;

WHEREAS, it is intended by the Venture that the further development of the Software and the exploitation of the Software on behalf of the Venture primarily will be undertaken by the Manager, acting as the manager of the Venture's business pursuant to a Management Agreement of even date herewith, between the Venture and the Manager (the "Management Agreement");

WHEREAS, to the extent that the Venture develops or acquires improvements to the Software, CCI desires to obtain license rights thereto for the purpose of engaging in business opportunities proposed by SGI Holding or its Affiliates which are neither undertaken by the Venture nor in conflict with the business of the Venture (as provided in the Shareholders Agreement), and the Venture desires to license such rights to CCI, on the terms and conditions stated herein; and

WHEREAS, the Manager desires to obtain license rights to the Software and the Venture Technology (as defined below) for the purpose of engaging in business opportunities proposed by the Manager or its Affiliates which are neither undertaken by the Venture nor in conflict with the business of the Venture (as provided in the Shareholders Agreement), and CCI and the Venture desire to license such rights to the Manager, on the terms and conditions stated herein.

NOW, THEREFORE, in consideration of the premises and the covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agrees as follows:

1. License from CCI to the Venture.

(a) License of Software. CCI hereby grants to the Venture an exclusive (subject to the licenses and rights of use provided for in Sections 2 and 3), worldwide, royalty-free license to the Software for use by the Venture in the development, implementation and operation of gaming and other pursuits within the Company Business as such Company Business from time to time shall be determined by the Venture.

(b) Improvements. The Venture acknowledges and understands that the Software is not complete and that further development of the Software is necessary for the implementation and operation of gaming. The Venture also acknowledges and agrees that any further development, modification, improvement, upgrading and maintenance of the Software (collectively, "Improvements") for use within the Company Business shall be the sole responsibility of the Venture. Except as otherwise provided herein, the Venture shall be the sole and exclusive owner of all right, title and interest in and to any Improvements made by the Manager on behalf of the Venture and of all copyrights (including audiovisual copyrights), patents, patent applications, trademarks, trade secrets, rights of priority, design rights and other intangible rights therein (collectively, "Intellectual Property Rights"), and the Manager hereby assigns all such Improvements and all Intellectual Property Rights therein to the Venture. Notwithstanding any other provision of this Agreement to the contrary, CCI and the Venture hereby acknowledge and agree that none of the computer or other systems of the Manager or any of its Affiliates, as they now exist or as they may be developed from time to time, nor any interfaces or other modifications developed to facilitate the operation of the Software in conjunction with such systems of the Manager or any of its Affiliates (even if the costs of developing such interfaces or modifications are paid for by the Venture), shall be deemed to be the property of CCI or the Venture or otherwise deemed to be Improvements, all such systems and interfaces and modifications shall remain the property of the Manager or its Affiliates, and CCI and the Venture hereby assign all rights in all such systems and interfaces and modifications, including but not limited to Intellectual Property Rights, to the Manager. In the event that the Venture (or the Manager acting on behalf of the Venture) retains any third party for the purpose of creating or developing Improvements, the Venture or the Manager shall require such third party to assign to and transfer to the Venture in writing all right, title and interest to such Improvements and all Intellectual Property Rights therein (including without limitation software source code), unless CCI otherwise shall give its prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. CCI shall

neither license others to use the Software, nor use the Software for the benefit of itself, any of its Affiliates or any other party, except as set forth in Sections 2 and 3.

(c) Disclaimer of Warranties. EXCEPT AS SET FORTH IN SECTION 5(a), ALL SOFTWARE PROVIDED AND LICENSED UNDER THE SECTION 1 OR UNDER SECTION 3 IS ON AN "AS IS" BASIS, AND NEITHER CCI NOR ANY OF ITS AFFILIATES ASSUMES ANY RESPONSIBILITY FOR THE RESULTS OR CONSEQUENCES THAT MAY BE OBTAINED FROM THE USE OF THE SOFTWARE, INCLUDING WITHOUT LIMITATION ANY ECONOMIC RESULTS OR CONSEQUENCES OR ANY INJURIES TO PERSONS OR PROPERTY. ON BEHALF OF ITSELF AND ITS AFFILIATES, CCI HEREBY DISCLAIMS IN THEIR ENTIRETY ANY AND ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

(d) Right to Modify. The Venture and any third party acting on behalf of the Venture (through the Manager during the term of the Management Agreement) shall have the unrestricted right to modify, and create derivative works based upon, the Software as the Venture or the Manager may desire and to merge any portion of the Software into any other software, provided that any portion of the Software so modified shall remain subject to the terms and conditions of this Agreement. The Venture (through the Manager during the term of the Management Agreement) may, but shall not be obligated to, contract with CCI or any of its Affiliates to develop Improvements on terms and conditions mutually agreeable to the Venture and CCI or its Affiliate.

(e) Right to Make and Distribute Copies. The Venture and any third party acting on behalf of the Venture (including the Manager during the term of the Management Agreement) shall have the right to make and distribute copies of the Software and Improvements to the extent deemed necessary by or on behalf of the Venture and to the extent required for archival back-up or disaster recovery purposes, provided that each such copy shall remain subject to the terms and conditions of this Agreement.

(f) Sublicenses. The Venture (through the Manager during the term of the Management Agreement) shall have the right to grant sublicenses to other (including to the Manager) to use the Software, provided that no such sublicensee shall have the right to grant further sublicenses (sub-sublicenses) without the prior written consent of CCI, which shall not be unreasonably withheld, conditioned or delayed, and provided further that any sublicense granted under this subsection shall be subject to this Agreement and shall not include any

terms or conditions inconsistent with this Agreement. Any such sublicensee shall be permitted to exercise any right provided to the Venture in this Section 1 to the extent that the Venture so authorizes such sublicensee in writing.

(g) Access to Source Code. The Venture (through the Manager during the term of the Management Agreement) and such contractors as the Venture or the Manager may retain shall have complete access to all source code included in the Software for all purposes within the scope of the license rights granted hereby, subject only to the confidentiality provisions of Section 6 hereof.

(h) Related Rights. To the extent CCI has Intellectual Property Rights related to the Software that might otherwise be infringed by the Venture's or the Manager's use in any manner of the Software within the license granted in this Section 1 or in Section 3, respectively, CCI grants to the Venture and the Manager, as the case may be, and their respective sublicensees and customers, a royalty-free, worldwide, exclusive (subject to the licenses and rights of use provided for in Sections 2 and 3) license to such Intellectual Property Rights to enable the Venture, the Manager and their respective sublicensees and customers to exercise the license rights granted in this Section 1 and in Section 3, respectively.

2. License from the Venture to CCI.

(a) License of the Venture Technology. The Venture hereby grants to CCI a nonexclusive, worldwide license to all Improvements, including any Improvements to prior Improvements, if any (collectively, the "Venture Technology"), which licensed rights may only be used or commercially exploited to the extent, and only to the extent, that such use or exploitation is specifically excluded from the Company Business through the exercise by Harrah's Interactive Investment Company of any right of disapproval under Section 1.6(a)(xii) or Section 3.2(b) of the Shareholders Agreement, subject in each case to the proviso set forth in each such section of the Shareholders Agreement, and provided that the excluded use is actually undertaken by CCI or a Permitted CCI Sublicensee (as defined below) within a reasonable time following such disapproval. Such exploitation or use may not be expanded beyond the specific use or exploitation specifically disapproved by Harrah's Interactive Investment Company. The Venture hereby covenants and agrees not to grant any license to the Venture Technology to any other person for use within the above-described field of use without the prior written consent of CCI, which shall not be unreasonably withheld, conditioned or delayed if and to the extent that CCI is not making use of such license rights and does not then contemplate making use of such license rights within a reasonable time.

CCI shall be permitted to use, modify and create derivative works based upon the Software in connection with its exploitation or use of the Venture Technology permitted hereby; provided, however, that no such use or exploitation shall violate or conflict with the terms of Section 3.4 of the Shareholders Agreement. Subject to Section 4(d), CCI shall pay or cause to be paid to the Venture royalties for the use of the Venture Technology at the rate of two percent (2%) of the Gross Revenues (as defined below) derived from such use during the term of such license by CCI or any Permitted CCI Sublicensee. The provisions of Section 4 shall apply to the calculation and payment of such royalties.

(b) Disclaimer of Warranties. EXCEPT AS SET FORTH IN SECTION 5(d), ALL VENTURE TECHNOLOGY PROVIDED AND LICENSED UNDER THIS SECTION 2 OR UNDER SECTION 3 IS ON AN "AS IS" BASIS, AND THE VENTURE ASSUMES NO RESPONSIBILITY FOR THE RESULTS OR CONSEQUENCES THAT MAY BE OBTAINED FROM THE USE OF THE VENTURE TECHNOLOGY, INCLUDING WITHOUT LIMITATION ANY ECONOMIC RESULTS OR CONSEQUENCES OR ANY INJURIES TO PERSONS OR PROPERTY. THE VENTURE HEREBY DISCLAIMS IN THEIR ENTIRETY ANY AND ALL IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

(c) Right to Modify. In connection with its permitted exploitation of the Venture Technology, CCI and any third party acting on its behalf shall have the unrestricted right to modify, and create derivative works based upon, the Venture Technology as CCI may desire and to merge any portion of such Venture Technology into any other software or technology, provided that any portion of the Venture Technology so modified shall remain subject in all respects to the terms and conditions of this Agreement.

(d) Right to Make and Distribute Copies. In connection with its permitted exploitation of the Venture Technology, CCI and any third party acting on its behalf shall have the right to make and distribute copies of the Venture Technology to the extent deemed necessary by or on behalf of CCI and to the extent required for archival back-up or disaster recovery purposes, provided that each such copy shall remain fully subject to the terms and conditions of this Agreement.

(e) Sublicenses. In the event that CCI is permitted under Section 2(a) to exploit any Software and its license rights with respect to any of the Venture Technology, CCI shall have the right to grant a license to such Software and a sublicense to such Venture Technology

to one or more of CCI's Affiliates or one or more ventures or entities in which CCI or any of its Affiliates had an interest ("Permitted CCI Sublicensees"), provided that no such Permitted CCI Sublicensee shall have the right to grant further sublicenses (sub-sublicenses) to any person or entity (other than another Permitted CCI Sublicensee) without the prior written consent of the Venture, and provided further that any license or sublicense granted under this subsection shall be subject to this Agreement and shall not include any terms or conditions inconsistent with this Agreement. Any such sublicensee shall be permitted to exercise any right provided to CCI in this Section 2 to the extent that CCI so authorizes such sublicensee in writing. A copy of each sublicense entered into pursuant to this Section shall be given to the Venture promptly following its execution.

(f) Access to Source Code. To the extent that the Venture obtains ownership of or access to any source code included in the Venture Technology, CCI and such contractors as it may retain shall have complete access to such source code for all purposes within the scope of the license rights granted hereby, subject only to the confidentiality provisions of Section 6 hereof.

(g) Ownership of Modifications and Derivative Works. CCI shall be the sole and exclusive owner of all modifications to or derivative works based upon the Venture Technology and the Software made by or on behalf of CCI and of all Intellectual Property Rights therein.

3. Licenses from the Venture and CCI to the Manager.

(a) Licenses of the Venture Technology and Software. The Venture hereby grants to the Manager a nonexclusive, worldwide license to the Venture Technology, and CCI hereby grants to the Manager a nonexclusive, worldwide royalty-free license to the Software, which licensed rights may only be used or commercially exploited to the extent, and only to the extent, that such use or exploitation is specifically excluded from the Company Business through the exercise by SGI Holding of any right of disapproval under Section 3.2(b) of the Shareholders Agreement, subject to the proviso set forth in such section of the Shareholders Agreement, and provided that the excluded use is actually undertaken by the Manager or a Permitted Manager Sublicensee (as defined below) within a reasonable time following such disapproval. Such exploitation or use may not be expanded beyond the specific use or exploitation specifically disapproved by SGI Holding nor shall such use or exploitation violate or conflict with the terms of Section 3.4 of the Shareholders Agreement. The Venture and CCI hereby severally covenant and agree not to grant any license to the Venture Technology

or the Software, respectively, to any other person for use within the above-described field of use without the prior written consent of the Manager. Subject to Section 4(d), the Manager shall pay or cause to be paid to the Venture royalties for the use of the Venture Technology at the rate of two percent (2%) of the Gross Revenues (as defined below) derived from such use during the term of such license by the Manager or any Permitted Manager Sublicensee. The provisions of Section 4 shall apply to the calculation and payment of such royalties.

(b) Right to Modify. In connection with its permitted exploitation of the Venture Technology and the Software, the Manager and third party acting on its behalf shall have the unrestricted right to modify, and create derivative works based upon, the Venture Technology or the Software as the Manager may desire and to merge any portion of the Venture Technology or the Software into any other software or technology, provided that any portion so modified shall remain subject in all respects to the terms and conditions of this Agreement.

(c) Right to Make and Distribute Copies. In connection with its permitted exploitation of the Venture Technology and Software, the Manager and any third party acting on its behalf shall have the right to make and distribute copies of the Venture Technology and the Software to the extent deemed necessary by or on behalf of the Manager and to the extent required for archival back-up or disaster recovery purposes, provided that each such copy shall remain fully subject to the terms and conditions of this Agreement.

(d) Sublicenses. In the event that the Manager is permitted under Section 3(a) to exploit its license rights with respect to any the Venture Technology and Software, the Manager shall have the right to grant a sublicense to such Venture Technology and Software to one or more of the Manager's Affiliates or one or more ventures or entities in which the Manager or any of its Affiliates has an interest ("Permitted Manager Sublicensees"), provided that no such Permitted Manager Sublicensee shall have the right to grant further sublicenses (sub-sublicenses) to any person or entity (other than another Permitted Manager Sublicensee) without the prior written consent of the Venture, and provided further that any sublicense granted under this subsection shall be subject to this Agreement and shall not include any terms or conditions inconsistent with this Agreement. Any such sublicensee shall be permitted to exercise any right provided to the Manager under this Section 3 to the extent that the Manager so authorizes such sublicensee in writing. A copy of each sublicense entered into pursuant to this Section shall be given to each of the Venture and CCI promptly following its execution.

(e) Access to Source Code. The Manager and such contractors as it may retain shall have complete access to all source code included in the Software and (to the extent that the Venture obtains ownership of or access to any source code included in the Venture Technology) the Venture Technology for all purposes within the scope of the license rights granted hereby, subject only to the confidentiality provisions of Section 6 hereof.

(f) Ownership of Modifications and Derivative Works. The Manager shall be the sole and exclusive owner of all modifications to or derivative works based upon the Venture Technology and the Software made by or on behalf of the Manager and of all Intellectual Property Rights therein.

4. Provisions Generally Applicable to Royalty Payments.

(a) "Gross Revenue" Defined. As used herein, the term "Gross Revenues" means all revenues of any kind derived by CCI or the Manager, as the case may be, directly or indirectly, from the exploitation of the Venture Technology and/or Software pursuant to Section 2 or 3 hereof, respectively, determined in accordance with generally accepted accounting principles, consistently applied, including without limitation: in the case of gaming revenues, "gross revenues" as defined in Nevada Revised Statutes Section 413.0161 (other than subsection 2(b) thereof) as of the date of this Agreement (and which for purposes of this Agreement shall be determined before the distribution of any share of gross revenues to any party (such as an operator of an airline, cruise ship, hotel or railroad (by way of illustration and not limitation)) with which such licensee enters into an agreement for the operation of gaming); gross receipts from merchandise sales in which such licensee is the seller; rental or other payments from any lessee, consignee or concessionaires; fees for acting as a sales or other agent on behalf of a third party; and any monies collected from patrons as all or part of a charge for use of any gaming devices; and in the case such licensee (or any permitted sublicensee thereof) grants any sublicense as permitted by Section 2 or 3, respectively, "Gross Revenues" shall be determined by reference to the revenues of such sublicensee and not by reference to the revenues or receipts of the sublicensor from such sublicensee. For purposes of the payment of royalties hereunder, "Gross Revenues" realized in any currency than than U.S. Dollars shall be deemed converted into U.S. Dollars using the selling rate of exchange prevailing as of the opening of trading in New York, New York, on the date of payment of such royalties; provided, however, that if the payment is made after the due date therefor, the rate of exchange shall be the rate so prevailing on the date of payment or the due date, whichever results in the higher amount of payment of royalties.

(b) Payment of Royalties. Royalties payable to the Venture hereunder shall be due and payable in United States currency on a quarterly basis on or before the forty-fifth (45th) day following the end of each calendar quarter. Each royalty payment shall be accompanied by a statement setting forth in reasonable detail the basis for and determination of the royalties due. The books and records of the licensee or its sublicensee relating to its Gross Revenues for any calendar year shall be preserved for a period of not less than eighteen (18) months after the end of such calendar year, and such books and records will be available for inspection by the Venture and its designated agents, accountants and attorneys during business hours upon reasonable advance notice. The Venture shall have the right to audit the Gross Revenues of the licensee and/or its sublicensee(s) on a not more frequent than annual basis for purposes of determining compliance with the royalty obligations hereunder. Any such audit shall be paid for by the Venture, unless such audit results in an increase in the annual amount of royalties payable hereunder of five percent (5%) or more, in which case the licensee or its sublicensee(s) shall pay for the costs of such audit. Any such audit shall be conducted by the accounting firm then responsible for auditing the financial statements of the Venture (unless otherwise mutually agreed upon by the Venture and the licensee), and the determination of such auditors shall be final and binding on all parties in the absence of manifest error. Any adjustment payment by or to the Venture resulting from such an audit shall be made, without interest or penalty except as provided below, to the appropriate party within thirty (30) days after the delivery of the audit report to the licensee and the Venture. In the event that any payment due under this Section 4(b) is not made within fifteen (15) days of its due date, such payment shall accrue interest at the lesser of the prime rate charged from time to time by Citibank, N.A. to its best customers on unsecured borrowings, plus two (2) percentage points, or the highest rate permitted by applicable law. Notwithstanding the foregoing, no royalty payment payable in respect of any calendar year may be challenged, through audit or otherwise, by the Venture more than eighteen (18) months after the end of such calendar year.

(c) Liability for Taxes. Royalties payable hereunder shall be exclusive of all taxes of any nature other than taxes imposed upon the Venture and determined or measured by reference to its income. Whenever applicable, the licensee or sublicensee paying any royalties hereunder shall be responsible for any and all sales, value added, ad valorem, use, excise or similar tax or taxes payable in respect of such royalties.

(d) Termination of Royalties. The respective obligations on the part of CCI and the Manager to pay royalties pursuant to Sections 2(a) and 3(a) shall terminate immediately upon any dissolution of the Venture other than by virtue of its merger, amalgamation or

consolidation with another corporation or entity or the sale of all or substantially all of its assets to another person or entity.

5. Representations and Warranties and Covenants.

(a) Representations and Warranties of CCI, SGIC and SGI Holding. CCI, SGIC and SGI Holding jointly and severally represent and warrant that:

(i) Neither the Software as supplied hereunder, nor its normal use for its intended purpose in combination with hardware or other software, will infringe or violate any third-party patent, copyright, trade secret or other right; no other rights or licenses concerning the Software have been granted by any of them to any other party; and, subject to the recordation of assignments in the United States Copyright Office (which have been executed and will be filed for recordation within fifteen (15) days after the date of this Agreement), CCI has good and marketable title to all Software free and clear of any liens or encumbrances.

(ii) Each of them is a corporation duly organized and validly existing under the laws of the Yukon Territory of Canada, in the case of CCI, the laws of the State of Nevada, in the case of SGIC, or the laws of Bermuda as an exempted company, in the case of SGI Holding.

(iii) Each of them has full legal power and right to carry on its business as such is now being conducted and as proposed to be conducted. Each of them has the legal power and right under the laws of the Yukon Territory, Nevada and Bermuda, in the case of CCI, SGIC and SGI Holding, respectively, to enter into and perform this Agreement and the transactions contemplated hereby; and that the consummation of the transactions contemplated by this Agreement will neither violate nor be in conflict with: (A) any provision of the Articles of Continuation or Bylaws of CCI, the Articles of Incorporation or Bylaws of SGIC, or the Memorandum of Association or Bye-Laws of SGI Holding; (B) any agreement or instrument to which any of them is a party or by which any of them or any of their Affiliates or any of their respective assets are bound; (C) any judgment, order, ruling or decrees applicable to any of them or any of their Affiliates as a party in interest or any law, rule or regulation applicable to any of them or any of their Affiliates; or (D) any document, agreement or other arrangement creating or relating to the creation or existence of any of them or any of their Affiliates.

(iv) The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all requisite corporate action on the part of each of them.

(v) This Agreement is a valid and binding obligation of each of them and is enforceable in accordance with its terms against each of them, subject to and limited by the effect of applicable bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, receivership, moratorium or other similar laws now or hereafter in effect relating to or affecting the rights of creditors generally.

(vi) No consent of any person not a party to this Agreement and no consent of any governmental authority is required to be obtained on the part of any of them in connection with or resulting from the execution or performance of this Agreement.

(vii) None of them nor any of their Affiliates has incurred any obligation or liability, contingent or otherwise, for brokers' or finder's fees in respect of the matters provided for in this Agreement, and if any such obligation or liability exists, it shall be the sole obligation of such party or its Affiliate.

(viii) None of the statements, representations or warranties made by any of them in this Agreement or in any exhibit or certificate delivered pursuant to this Agreement contains any untrue statement of any material fact or omits to state any material fact necessary to be stated in order to make the statements, representations or warranties contained herein or therein not materially misleading.

(b) Representations and Warranties of the Venture. The Venture represents and warrants that:

(i) It is a corporation duly organized and validly existing under the laws of Bermuda as an exempted company.

(ii) It has full legal power and right to carry on its business as such is now being conducted and as proposed to be conducted, subject to compliance with any applicable laws and regulations prohibiting or regulating gaming. It has the legal power and right under the laws of Bermuda to enter into and perform this Agreement and the transactions contemplated hereby; and that the consummation of the transactions contemplated by this Agreement will neither violate nor be in conflict with: (A) any provision of its Memorandum of Association or Bye-Laws; (b) any agreement or instrument to which it is a party or by

which it or any of its assets are bound; (C) any judgment, order, ruling or decrees applicable to it as a party in interest or any law, rule or regulation applicable to it; or (D) any document, agreement or other arrangement creating or relating to its creation or existence.

(iii) The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all requisite corporate action on the part of the Venture.

(iv) This Agreement is a valid and binding obligation of the Venture and is enforceable in accordance with its terms against it, subject to and limited by the effect of applicable bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, receivership, moratorium or other similar laws now or hereafter in effect relating to or affecting the rights of creditors generally.

(v) No consent of any person not a party to this Agreement and no consent of any governmental authority is required to be obtained on it part in connection with or resulting from the execution or performance of this Agreement.

(vi) It has not incurred any obligation or liability, contingent or otherwise, for brokers' or finder's fees in respect of the matters provided for in this Agreement.

(vii) None of the statements, representations or warranties made by any it in this Agreement or in any exhibit or certificate delivered pursuant to this Agreement contains any untrue statement of any material factor omits to state any material fact necessary to be stated in order to make the statements, representations or warranties contained herein or therein not materially misleading.

(viii) It understands and acknowledges that the Software has not been tested or verified by any testing laboratory or facility and that neither CCI nor any of its affiliates has made or hereby makes any representation or warranty with respect to the performance, adequacy or commercial viability of any of the Software.

(c) Representations and Warranties of the Manager. The Manager represents and warrants that:

(i) It is a corporation duly organized and validly existing under the laws of the State of Nevada.

(ii) It has full legal power and right to carry on it business as such is now being conducted and as proposed to be conducted. It has the legal power and right under the laws of Nevada to enter into and perform this Agreement and the transactions contemplated hereby; and that the consummation of the transactions contemplated by this Agreement will neither violate nor be in conflict with: (A) any provision of its Articles of Incorporation or Bylaws; (B) any agreement or instrument to which it is a party or by which it or any of its Affiliates or any of their respective assets are bound; (C) any judgment, order, ruling or decrees applicable to it or any of its Affiliates as a party in interest or any law, rule or regulation applicable to it or any of its Affiliates; or (D) any document, agreement or other arrangement creating or relating to the creation or existence of it or any of its Affiliates.

(iii) The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly validly authorized by all requisite corporate action on the part of the Manager.

(iv) This Agreement is a valid and binding obligation of the Manager and is enforceable in accordance with its terms against it, subject to and limited by the effect of applicable bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, receivership, moratorium or other similar laws now or hereafter in effect relating to or affecting the rights of creditors generally.

(v) No consent of any person not a party to this Agreement and no consent of any governmental authority is required to be obtained on its part in connection with or resulting from the execution or performance of this Agreement.

(vi) Neither it nor any of its Affiliates has incurred any obligation or liability, contingent or otherwise, for brokers' or finder's fees in respect of the matters provided for in this Agreement, and if any such obligation or liability exists, it shall be the sole obligation of the Manager or its Affiliate.

(vii) None of the statements, representations or warranties made by it in this Agreement or in any exhibit or certificate delivered pursuant to this Agreement contains any untrue statement of any material fact or omits to state any material fact necessary to be stated in order to make the statements, representations or warranties contained herein or therein not materially misleading.

(viii) It understands and acknowledges that the Software has not been tested or verified by any testing laboratory or facility and that neither CCI nor any of its Affiliates

has made or hereby makes any representation or warranty with respect to the performance, adequacy or commercial viability of any of the Software.

(d) Additional Representations, Warranties and Covenants of the Venture. The Venture represents and warrants and covenants that neither the Venture Technology as supplied from time to time hereunder, nor its normal use for its intended purpose in combination with hardware, the Software or other software, will infringe or violate any third-party patent, copyright, trade secret or other right. The preceding representation and warranty shall not apply to any infringement to the extent it would have occurred from the use of the Software without the Venture Technology contained therein or not in combination with the Venture Technology.

6. Confidentiality.

(a) "Confidential Information" Defined. For purposes hereof, the term "Confidential Information" of a party shall mean, (i) in the case of CCI, source code of any and all Software and any and all documentation related thereto; and, (ii) in the case of the Venture, source code of any and all software included in the Venture Technology and any and all documentation related thereto.

(b) Confidentiality Obligations. Without the prior written consent of CCI, the Venture and its other Obligated Parties (as defined below) and the Manager (in its capacity as a license hereunder) and its other Obligated Parties shall keep confidential and shall not disclose to any third party whatsoever or use for any purpose whatsoever any Confidential Information of CCI, other than uses contemplated by Section 1 or 3 hereof and disclosures made in conformity with Section 6(d) hereof; and without the prior written consent of the Venture, CCI and its other Obligated Parties and the Manager (in its capacity as a licensee hereunder) and its other Obligated Parties shall keep confidential and shall not disclose to any third party whatsoever or use for any purpose whatsoever any Confidential Information of the Venture, other than uses contemplated by Section 2 or 3 hereof and disclosures made in conformity with Section 6(d) hereof, in any case except as follows:

(i) any Confidential Information of CCI or the Venture, as the case may be, that the applicable Obligated Party can prove was:

(A) in the public domain prior to the date of this Agreement or subsequently came into the public domain through no fault of any Obligated Party of CCI, the Venture or the Manager, as the case may be (provided that any combination of items of

Confidential Information shall not be deemed within this exception merely because individual items are part of the public domain, but only if the combination itself and its principle(s) of operation or utility are part of the public domain); or

(B) lawfully received by such Obligated Party without a binder of confidentiality from an independent third party.

(ii) an Obligated Party of CCI, the Venture or the Manager, as the case may be, may disclose any Confidential Information of another party to the extent that it has been advised by counsel that such disclosure is necessary to comply with laws or regulations; provided, that such Obligated Party shall give the Venture or CCI, as the case may be, reasonable advance written notice of such proposed disclosure, shall use its best efforts to secure confidential treatment of any such Confidential Information and shall advise the Venture or CCI, as the may be, in writing of the manner of the disclosure.

(c) Obligated Parties. For purposes hereof, the term "Obligated Party" of a party shall mean CCI, the Venture or the Manager, as the case may be, and the Affiliates, partners, directors, officers, principals, shareholders, employees, independent contractors, consultants and agents of such party, and any of such party's permitted sublicensees, successors and assigns and their respective Affiliates, partners, directors, officers, principals, shareholders, employees, independent contractors, consultants and agents. In the case of the Venture, its Obligated Parties shall include the Manager (in its capacity as manager under the Management Agreement) and its Affiliates, directors, officers, shareholders, employees, independent contractors, consultants, agents, successors and assigns, whether or not such persons would be included by virtue of the above definition.

(d) Dissemination of Confidential Information. Any dissemination of Confidential Information of a party by an Obligated Party of any other party to any person, including without limitation other Obligated Parties of such other party, shall be only to carry out the purposes of this Agreement and shall be limited to the maximum extent possible consistent with carrying out such purposes. Prior to receiving any such Confidential Information, any such person shall agree in writing for the benefit of the other party to be bound by the provisions of this Section 6, and Sections 10(d), 10(e) and 10(f) to the same extent that such party is bound hereby. All such written agreements shall be delivered to the party or parties in favor of which such agreements are made within (5) days after the execution thereof.

(e) Safekeeping of Confidential Information. In recognition and furtherance of the foregoing confidentiality obligations, each party agrees that all of its Obligated Parties shall keep any and all records which contain any Confidential Information of the other party in a safe and secure location.

(f) Injunctive Relief. It is expressly covenanted and agreed that, in the event of a breach of this Section 6 by any Obligated Party of a party, although the damage to the CCI or the Venture, as the case may be, will be substantial, the same will be difficult to ascertain, money damages will not afford an adequate remedy and CCI or the Venture, as the case may be, will suffer irreparable injury. Therefore, in the event of any such breach, and in addition to any other rights or remedies available at law, in equity or under this Agreement, each of CCI and the Venture party shall have the right to obtain specific performance of such obligations set forth in this Section 6 by way of temporary and/or permanent injunctive relief without bond.

(g) Survival of Confidentiality Obligations. The provisions of this Section 6 shall survive any termination of any license granted hereunder for a period of three (3) years. Upon any termination of any license granted hereunder, all Obligated Parties of the licensee shall promptly deliver to the licensing party or parties all tangible manifestations of Confidential Information of the licensing party or parties in its possession or under its control, retaining no copies thereof. In the case of Confidential Information that is commingled with other proprietary information to which the licensing party or parties do not have rights, the Obligated Parties may, in lieu of delivering such tangible manifestations to the licensing party or parties, destroy all such tangible manifestations, and shall so certify in writing to the licensing party or parties.

(h) Residual Rights and Independent Developments. The terms of confidentiality contained in this Section 6 shall not be construed to limit any party's right to independently develop or acquire products without the use of another party's Confidential Information. Further, all parties shall be free to use for any purpose the Residuals (as defined below) resulting from access to or work with the Software, the Venture Technology and Confidential Information, provided that such party shall maintain the confidentiality of the Confidential Information as provided herein, and provided that such use does not infringe the patent, copyright, trade secret or other rights of one of the parties to which a license is not otherwise granted hereunder. The term "Residuals" means information in intangible form, which may be retained in the heads of persons who have had access to the Software, the Venture Technology and the Confidential Information, including ideas, concepts, know-how,

techniques and general experience gained. No party hereto shall have any obligation to limit of restrict the assignment of such persons or to pay royalties for any work resulting from the use of Residuals, except as otherwise expressly provided for herein.

7. Limitation of Liability. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT TO THE CONTRARY, EXCEPT IN CONNECTION WITH A BREACH OF SECTION 6 HEREOF, NO PARTY SHALL IN ANY CASE BE LIABLE TO ANY OTHER PARTY FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL, INDIRECT, OR OTHER SIMILAR DAMAGES RELATED TO THIS AGREEMENT OR ITS PERFORMANCE ARISING FROM BREACH OF WARRANTY, BREACH OF CONTRACT, NEGLIGENCE OR ANY OTHER LEGAL OR EQUITABLE THEORY EVEN IF SUCH PARTY OR ITS AGENT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

8. Infringement.

(a) CCI, SGIC and SGI Holding Indemnification Obligation. CCI, SGIC and SGI Holding jointly and severally shall indemnify, defend and hold the Venture and the Manager and their respective officers, directors, employees, agents and licensees harmless from and against any and all damages (subject to Section 7 hereof), liabilities, costs and expenses (including reasonable attorneys' fees) resulting from the breach or untruthfulness of the representations and warranties set forth in Section 5(a)(i) hereof (and including amounts incurred in the settlement or avoidance of any claims based thereon), provided that: (i) in the event of an infringement claim, CCI shall have the right, but not the obligation, to procure at its expense the right to use the infringing portion of the Software, or to replace the infringing portion with an alternative item that meets applicable specifications, and (ii) CCI shall be given prompt notice of the claim and the opportunity to control the defense and/or settlement thereof, provided that the Venture or the Manager or both, as the case may be, shall have the right to approve any settlement involving other than a monetary payment, which approval shall not be unreasonably withheld, conditioned or delayed.

(b) Venture Indemnification Obligation. Without limiting Sections 5(a)(i) and 8(a), the Venture shall indemnify, defend and hold CCI and the Manager and their respective officers, directors, employees, agents and licensees harmless from and against any and all damages (subject to Section 7 hereof), liabilities, costs and expenses (including reasonable attorneys' fees) resulting from the breach or untruthfulness of the representations, covenants and warranties set forth in Section 5(d) hereof (and including amounts incurred in the

settlement or avoidance of any claims based thereon), provided: (i) in the event of an infringement claim, the Venture shall have the right, but not the obligation, to procure at its expense the right to use the infringing portion of the Venture Technology, or to replace the infringing portion with an alternative item that meets applicable specifications, and (ii) the Venture shall be given prompt notice of the claim and the opportunity to control the defense and/or settlement thereof.

(c) Infringement of Software. In the event of any infringement of the Software by any third party by making, selling, copying or distributing the Software or any portion thereof for a purpose that is within the Company Business, the Venture will have the right at its sole cost and expense and for its sole benefit to take any action or to commence any proceeding it deems necessary against the infringing party or parties. CCI and the Manager (in its capacity as a licensee) shall provide such cooperation and assistance in connection therewith as may be reasonably requested by the Venture, and the Venture shall promptly reimburse CCI or the Manager (in its capacity as a licensee) for its costs and expenses incurred in connection with providing such cooperation and assistance. If the Venture declines to take any action or commence any proceeding against the infringing party or parties or if the infringement arises out of activities not within the Company Business, CCI and (if such infringement affects the Manager's actual or potential use or exploitation of its license rights to Software) the Manager, as the case may be, each will have the right at its sole cost and expense and for its sole benefit to take any action or to commence any proceeding it deems necessary against the infringing party or parties. The Venture shall provide such cooperation and assistance in connection therewith as may be reasonably requested by CCI or the Manager, and CCI or the Manager, as the case may be, shall promptly reimburse the Venture for its costs and expenses incurred in connection with providing such cooperation and assistance.

(d) Infringement of the Venture Technology. In the event of any infringement of the Venture Technology by any third party, whether by making, selling, copying or distributing the Venture Technology or any portion thereof for a purpose that is within or without the Company Business, the Venture will have the right at its sole cost and expense and for its sole benefit to take any action or to commence any proceeding it deems necessary against the infringing party or parties. CCI and the Manager (in its capacity as a licensee) shall provide such cooperation and assistance in connection therewith as may be reasonably requested by the Venture, and the Venture shall promptly reimburse CCI or the Manager (in its capacity as a licensee) for its costs and expenses incurred in connection with providing such cooperation and assistance. If the Venture declines to take any action or commence any

proceeding against the infringing party or parties and such infringement affects CCI's or the Manager's actual or potential use or exploitation of its license rights to the Venture Technology, CCI or the Manager, as the case may be, each will have the right at its sole cost and expense and for its sole benefit to take any action or to commence any proceeding it deems necessary against the infringing party or parties. The Venture shall provide such cooperation and assistance in connection therewith as may be reasonably requested by CCI or the Manager, and CCI or the Manager, as the case may be, shall promptly reimburse the Venture for its costs and expenses incurred in connection with providing such cooperation and assistance.

9. Term; Survival of Provisions.

(a) Term.

(i) The term of the license granted under Section 1 hereof shall be co-extensive with the term of the Venture's corporate existence, which shall include any period of liquidation and winding up following the dissolution or authorization of the dissolution of the Venture; provided, however, that if the Venture is merged or amalgamated with or consolidated into another corporation or entity or sells all or substantially all of its assets to another corporation or entity or otherwise is combined with another corporation or entity in a merger, amalgamation, consolidation, sale of assets or other transaction approved in accordance with or permitted by Section 1.6 of the Shareholders Agreement, such license will continue in effect and the successor party to the Venture shall, if necessary, be deemed to be the assignee of the Venture under this Agreement. Notwithstanding any breach of this Agreement by the Venture, CCI shall not be entitled to terminate the license rights granted under Section 1 hereof prior to the expiration of such license rights as provided in this Section 9(a)(i); provided, however, that this provision shall not otherwise limit the liability of the Venture for any such breach.

(ii) The terms of the licenses granted under Sections 2 and 3 will expire on December 31, 2093.

(b) Termination of CCI's License Rights for Breach. The license granted to CCI under Section 2 may be terminated by the Venture upon a breach of the royalty payment obligations set forth in Sections 2 and 4 which is not cured within thirty (30) days after written notice of such breach from the Venture to CCI.

(c) Termination of the Manager's License Rights for Breach. The license granted to the Manager under Section 3 may be terminated by the Venture upon a breach of

the royalty payment obligations set forth in Sections 3 and 4 which is not cured within thirty (30) days after written notice of such breach from the Venture to the Manager.

(d) Survival. Notwithstanding any termination or expiration of any license granted hereunder, the representations, covenants and warranties of clauses (a)(i), (d) and (e) of Section 5, the confidentiality provisions of Section 6, the indemnification provisions of Section 8, the provisions of Section 10 and all other provisions of this Agreement not required to terminate with such license rights shall survive any such termination or expiration; provided, however, that the provisions of Section 6 shall survive only for the period specified in Section 6(g).

(e) Ownership Upon Dissolution of the Venture. Upon any dissolution of the Venture or other cessation of its corporate existence other by virtue of its merger, amalgamation or consolidation with another corporation or entity or the sale of all or substantially all of its assets to another person or entity, all right, title and interest in and to all Venture Technology, and to all Intellectual Property Rights therein, shall vest in, and is hereby conditionally assigned to, CCI and the Manager as joint owners with undivided interests. Each of CCI and the Manager, as joint owners, shall be free to make, have made, use, sell, copy, make derivative works based upon, perform, distribute and otherwise exploit the Venture Technology in any manner desired without a duty of accounting of profits to or royalties to the other resulting therefrom. Upon the request of either CCI or the Manager, the Venture shall take all actions and execute all documents reasonably necessary to effect and perfect the assignment of the Venture Technology to CCI and the Manager as joint owners.

10. General Provisions.

(a) Notices; Payments. All notices and other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be personally delivered (by commercial courier or otherwise) or sent by telecopy receipt of which is confirmed or sent first class mail, registered or certified, return receipt requested, postage prepaid, addressed as follows:

If to CCI, SGIC or SGI Holding:

c/o Creator Capital Inc.
595 Howe Street, Suite 1115
Vancouver, British Columbia V6C 2T5
Canada
Attention: Mr. Malcolm P. Burke
Telecopier: (604) 687-8678
Telephone: (604) 689-1515

with a copy to:

Gordon R. Kanofsky, Esq.
Hughes Hubbard & Reed
350 South Grand Avenue
Los Angeles, California 90071-3442
United States of America
Telecopier: (213) 613-2950
Telephone: (213) 613-2876

If to the Venture:

Interactive Entertainment Limited
c/o Creator Capital Inc.
595 Howe Street, Suite 1115
Vancouver, British Columbia V6C 2T5
Canada
Attention: Mr. Malcolm P. Burke
Telecopier: (604) 687-8678
Telephone: (604) 689-1515

with copies to:

Gordon R. Kanofsky, Esq.
Hughes Hubbard & Reed
350 South Grand Avenue
Los Angeles, California 90071-3442
United States of America
Telecopier: (213) 613-2950
Telephone: (213) 613-2876

and

John W. McConomy, Esq.
Associate General Counsel
The Promus Companies Incorporated
1023 Cherry Road
Memphis, Tennessee 38117-5423
United States of America
Telecopier: (901) 762-8735
Telephone: (901) 762-8737

If to the Manager:

Harrah's Interactive Entertainment Company
c/o The Promus Companies Incorporated
1023 Cherry Road
Memphis, Tennessee 38117-5423
United States of America
Attention: Mr. John M. Boushy
Telecopier: (901) 762-8914
Telephone: (901) 762-8944

with a copy to:

John W. McConomy, Esq.
Associate General Counsel
The Promus Companies Incorporated
1023 Cherry Road
Memphis, Tennessee 38117-5423
United States of America
Telecopier: (901) 762-8735
Telephone: (901) 762-8737

Notices and other communications shall be deemed delivered, (i) in the case of personal delivery, on the date of their receipt at the address(es) specified above for delivery, (ii) in the case of a telecopy, upon confirmation of its receipt, and (iii) in the case of mail, at the earlier of the time of receipt or five days after the mailing thereof. Any payments required to be made pursuant to this Agreement shall be made and delivered in person or by mail in the same manner as provided above for notices and other communications. Any party may change its address for the giving of notices, other communications and payments by notice given in accordance with this Section.

(b) Assignment. Except in connection with assignments or deemed assignments permitted by Section 9(a)(i) hereof or required or permitted by the terms of the Shareholders Agreement, the Venture shall not have the right to assign it interests under this Agreement without the prior written consent of CCI, which may be given or denied in CCI's sole discretion. Except for an assignment to an Affiliate of such party who agrees in writing to be bound by this Agreement, neither CCI nor the Manager shall have the right to assign their respective interests under this Agreement without the prior written consent of the Venture, which may be given or denied in the Venture's sole discretion. This Agreement shall be binding upon and inure to the benefit of the parties and their respective permitted successors, legal representatives and assigns.

(c) Severability. The provisions of this Agreement shall be deemed severable. If any provision hereof shall be found invalid, illegal, void or unenforceable, in whole or in part, the remaining provisions or portions thereof shall remain in full force and effect to the maximum extent permissible. To the maximum extent permitted by applicable law, each party hereby waives any provision of law which renders any provision of this Agreement invalid, illegal, void or unenforceable.

(d) Governing Law. THIS AGREEMENT AND ALL RELATIONS OF THE PARTIES IN CONNECTION HEREWITH SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS OR CHOICE OF LAW RULES OR LAWS OF SUCH JURISDICTION.

(e) Forum Selection. THE PARTIES AGREE THAT ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE COMMENCED IN A STATE OR FEDERAL COURT OF OR IN CLARK COUNTY, NEVADA, WHICH THE PARTIES AGREE IS THE SOLE AND EXCLUSIVE VENUE FOR THE CONVENIENCE OF THE PARTIES FOR PURPOSES OF THIS AGREEMENT, AND EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION AND VENUE OF SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING AND WAIVES ANY RIGHT THAT IT MAY NOW OR HEREAFTER HAVE TO TRANSFER OR CHANGE THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING, EXCEPT THAT EACH PARTY RETAINS WHATEVER RIGHT IT MAY HAVE TO REMOVE SUCH SUIT, ACTION OR PROCEEDING TO THE FEDERAL COURT SITTING IN CLARK COUNTY, NEVADA.

(f) Attorneys' Fees and Costs. If any litigation or other proceeding between or among the parties is commenced in connection with or related to this Agreement, the losing party or parties shall pay the reasonable attorneys' fees and costs and expenses of the prevailing party or parties incurred in connection therewith.

(g) Entire Agreement; Modification. This Agreement, together with the Shareholders Agreement, the Management Agreement and the Trademark License Agreement between CCI and the Venture entered into concurrently herewith, constitute the entire agreement among the parties hereto with respect to the subject matter hereof and supersede all prior negotiations and agreements with respect to the subject matter hereof. This Agreement may be modified only by an instrument in writing duly executed by the party sought to be bound by such modification.

(h) Waivers. No breach of any covenant, condition, agreement, warranty or representation made herein shall be deemed waived unless expressly waived in writing by the party who might assert such breach. Any such waiver may be made in advance or after the right waived has arisen or the breach or default waived has occurred. Any such waiver may be conditional. No such waiver shall be deemed to be a waiver of any other matter, whenever occurring and whether identical, similar or dissimilar to the matter waived.

(i) Further Assurances. Each party agrees promptly to execute and deliver such documents and to do such other acts as may be requested by any other party and are in the reasonable judgment of the requesting party necessary or appropriate to effectuate the purposes of this Agreement. Such matters may include, but shall not be limited to, the registration of a party as the owner or user of some or all of the Software or the Venture Technology, as the case may be, under the laws of any United States or foreign jurisdiction. The requesting party shall promptly reimburse the other party for its costs and expenses incurred in connection with providing such further assurances and cooperation.

(j) Relationship of Parties. Nothing set forth herein shall ever be construed to create an association, trust or partnership or impose a trust or partnership duty, obligation or liability on or with regard to either of the parties hereto.

(k) Headings; Gender; Number. The headings of the sections and subsections herein are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement. As used herein and as the context requires, a reference to the male, female or neutral gender includes a reference to each other

gender, and a reference to the singular or plural number includes a reference to the other number.

(l) Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed to constitute an original.

(m) Computer Media. Each party shall be entitled to have a copy of this Agreement, including all written schedules and exhibits, on diskette or other commonly used

computer storage media in a format readable by one or more leading word processing programs as of the date of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CREATOR CAPITAL INC.	INTERACTIVE ENTERTAINMENT LIMITED
By: ---------- Malcolm P. Burke, Director	By: ---------- Daniel H. Greene, Director and President
By: ---------- James P. Grymyr, Director	
HARRAH'S INTERACTIVE ENTERTAINMENT COMPANY	SKY GAMES INTERNATIONAL, CORP.
By: ---------- John W. McConomy, Designee	By: ---------- James P. Grymyr, President
SGI HOLDING CORPORATION LIMITED	
By: ---------- Malcolm P. Burke, Director and President	

LIST OF SCHEDULES AND EXHIBITS

Schedules

A Description of Software

Exhibits

1 Diskette(s) containing current version of Software

2 Assignment Agreement

TRADEMARK LICENSE AGREEMENT

THIS TRADEMARK LICENSE AGREEMENT (this "Agreement") is made and entered into as of the ___ day of December 1994, by and between Creator Capital Inc., a Yukon Territory corporation ("CCI"), and Interactive Entertainment Limited, a Bermuda exempted company ("the Venture"). Sky Games International, Corp. ("SGIC"), a Nevada corporation and an Affiliate (as defined below) of CCI, and SGI Holding Corporation Limited ("SGI Holding"), a Bermuda exempted company and an Affiliate of CCI, are also executing this Agreement solely for the purposes of making the representations, warranties, covenants and agreements specifically made by them in Sections 2 and 6 of this Agreement and to become bound by the provisions of Sections 5 and 8 of this Agreement, and neither SGIC nor SGI Holding shall have any other liability or obligation under this Agreement. As used herein, the term "Affiliate" shall mean an entity, including without limitation a general partnership or a business trust, controlling, controlled by or under common control with another entity (except that the Venture shall not be deemed to be an Affiliate of SGI Holding or any of its Affiliates).

W I T N E S S E T H:

WHEREAS, SGIC has purchased and/or developed software in connection with the development of a computer-based interactive video system for the operation of gaming and related entertainment activities on-board aircraft and other venues or locations and certain additional inventions (whether or not patentable), know-how, trade secrets and other proprietary information related to or in connection with such software (collectively, the "Software");

WHEREAS, SGIC has purchased and/or created the trademarks, trade names, service marks and service names listed on Schedule A attached hereto (the "Trade Rights") which Trade Rights has been created for use in connection with the Software and possibly other products or services;

WHEREAS, CCI has acquired from SGIC all right, title and interest in and to the Trade Rights pursuant to an Assignment Agreement (the "SGIC Assignment") entered into concurrently herewith;

WHEREAS, the Venture has been recently formed as a Bermuda exempted company by SGI Holding, which owns 80% of the issued and outstanding stock of the Venture, and Harrah's Interactive Investment Company ("HII"), which owns the remaining 20% of the

issued and outstanding stock of the Venture, to develop, implement and operate gaming and other operations in the pursuit of the "Company Business" (as defined in that certain Shareholders Agreement, of even date herewith, among SGI Holding, HII and the Venture, and as such Shareholders Agreement may be amended from time to time (the "Shareholders Agreement"))

WHEREAS, concurrently with the execution of this Agreement, CCI, the Venture and Harrah's Interactive Entertainment Company (the "Manager"), an Affiliate of HII and the manager of the Venture's business, are entering into a Cross-License Agreement (the "License Agreement"), pursuant to which the Venture is obtaining from CCI a license to the Software; and

WHEREAS, as a condition to investing in the Venture and to assuming responsibility for the management of the business of the Venture, HII and the Manager, respectively, have required that CCI license the Trade Rights to the Venture, and CCI is desirous and willing to grant such a license in consideration of the benefits anticipated to be realized by CCI, directly or indirectly, through its investment in the Venture and from the Manager's management of the Venture's business.

NOW, THEREFORE, in consideration of the premises and the covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agrees as follows:

1. License of Trade Rights.

(a) License of Trade Rights. CCI hereby grants to the Venture an exclusive, worldwide, royalty-free license to the Trade Rights.

(b) Sublicenses. The Venture (through the Manager during the term of the Management Agreement) shall have the right to grant sublicenses in connection with the Company Business (as defined in the Shareholders Agreement) to others (including to the Manager) to use the Trade Rights, provided that no such sublicensee shall have the right to grant further sublicenses (sub-sublicenses) without the prior written consent of CCI, which shall not be unreasonably withheld, conditioned or delayed, and provided further that any sublicense granted under this subsection shall be subject to this Agreement and shall not include any terms or conditions inconsistent with this Agreement.

2. Representations and Warranties.

(a) Representations and Warranties of CCI, SGIC and SGI Holding. CCI, SGIC and SGI Holding jointly and severally represent and warrant that:

(i) None of the Trade Rights infringes or violates any third-party trademark, trade name, service mark, service name or other trade rights in the United States of America; none of them has any notice of any infringement or violation or claim of infringement or violation of the Trade Rights (whether in the United States of America or otherwise); no other rights or licenses concerning the Trade Rights have been granted by any of them to any other party; CCI has good and marketable title in the United States of America to the Trade Rights, free and clear of any liens or encumbrances; and, subject to the recordation of assignments in the United States Patent and Trademark Office (which have been executed and will be filed for recordation within fifteen (15) days after the date of this Agreement), CCI has good and marketable title to any and all registrations and applications for registration of the Trade Rights in the United States of America, free and clear of any liens or encumbrances.

(ii) Each of them is a corporation duly organized and validly existing under the laws of the Yukon Territory of Canada, in the case of CCI, the laws of the State of Nevada, in the case of SGIC, or the laws of Bermuda as an exempted company, in the case of SGI Holding.

(iii) Each of them has full legal power and right to carry on its business as such is now being conducted and as proposed to be conducted. Each of them has the legal power and right under the laws of the Yukon Territory, Nevada and Bermuda, in the case of CCI, SGIC and SGI Holding, respectively, to enter into and perform this Agreement and the transactions contemplated hereby; and that the consummation of the transactions contemplated by this Agreement will neither violate nor be in conflict with: (A) any provision of the Articles of Continuation or Bylaws of CCI, the Articles of Incorporation or Bylaws of SGIC, or the Memorandum of Association or Bye-Laws of SGI Holding; (B) any agreement or instrument to which any of them is a party or by which any of them or any of their Affiliates or any of their respective assets are bound; (C) any judgment, order, ruling or decrees applicable to any of them or any of their Affiliates as a party in interest or any law, rule or regulation applicable to any of them or any of their Affiliates; or (D) any document, agreement or other arrangement creating or relating to the creation or existence of any of them or any of their Affiliates.

(iv) The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all requisite corporate action on the part of each of them.

(v) This Agreement is a valid and binding obligation of each of them and is enforceable in accordance with its terms against each of them, subject to and limited by the effect of applicable bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, receivership, moratorium or other similar laws now or hereafter in effect relating to or affecting the rights of creditors generally.

(vi) No consent of any person not a party to this Agreement and no consent of any governmental authority is required to be obtained on the part of any of them in connection with or resulting from the execution or performance of this Agreement.

(vii) None of them nor any of their Affiliates has incurred any obligation or liability, contingent or otherwise, for brokers' or finder's fees in respect of the matters provided for in this Agreement, and if any such obligation or liability exists, it shall be the sole obligation of such party or its Affiliate.

(viii) None of the statements, representations or warranties made by any of them in this Agreement or in any exhibit of certificate delivered pursuant to this Agreement contains any untrue statement of any material fact or omits to state any material fact necessary to be stated in order to make the statements, representations or warranties contained herein or therein not materially misleading.

(b) Representations and Warranties of the Venture. The Venture represents and warrants that:

(i) It is a corporation duly organized and validly existing under the laws of Bermuda as an exempted company.

(ii) It has full legal power and right to carry on its business as such is now being conducted and as proposed to be conducted, subject to compliance with any applicable laws and regulations prohibiting or regulating gaming. It has the legal power and right under the laws of Bermuda to enter into and perform this Agreement and the transactions contemplated hereby; and that the consummation of the transactions contemplated by this Agreement will neither violate nor be in conflict with: (A) any provision of its Memorandum of Association or Bye-Laws; (B) any agreement or instrument to which it is a party or by

which it or any of its assets are bound; (C) any judgment, order, ruling or decrees applicable to it as a party in interest or any law, rule or regulation applicable to it; or (D) any document, agreement or other arrangement creating or relating to its creation or existence.

(iii) The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all requisite corporate action on the part of the Venture.

(iv) This Agreement is a valid and binding obligation of the Venture and is enforceable in accordance with its terms against it, subject to and limited by the effect of applicable bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, receivership, moratorium or other similar laws now or hereafter in effect relating to or affecting the rights of creditors generally.

(v) No consent of any person not a party to this Agreement and no consent of any governmental authority is required to be obtained on its part in connection with or resulting from the execution or performance of this Agreement.

(vi) It has not incurred any obligation or liability, contingent or otherwise, for brokers' or finder's fees in respect of the matters provided for in this Agreement.

(vii) None of the statements, representations or warranties made by any it in this Agreement or in any exhibit or certificate delivered pursuant to this Agreement contains any untrue statement of any material fact or omits to state any material fact necessary to be stated in order to make the statements, representations or warranties contained herein or therein not materially misleading.

3. Ownership of the Trade Rights; Use of Trade Rights. The Venture acknowledges CCI's exclusive ownership of all right, title and interest in and to the Trade Rights, and the Venture will at no time do, or cause or permit to be done, any act impairing or tending to impair such right, title and interest. When using the Trade Rights, the Venture shall comply, or cause the compliance, with all applicable laws pertaining to trademarks and other trade rights in force at the time of such use.

4. Registration of Trade Rights or Venture. At the Venture's expense, CCI will use reasonable efforts to register and maintain the registration of the Trade Rights in such jurisdictions as shall be requested from time to time by the Venture. If applicable law permits

and upon the request of the Venture, CCI shall make application, at the expense of the Venture, to register the Venture as a permitted user or registered user of the Trade Rights.

5. Limitation of Liability. NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT TO THE CONTRARY, NO PARTY SHALL IN ANY CASE BE LIABLE TO THE OTHER PARTY FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL, INDIRECT, OR OTHER SIMILAR DAMAGES RELATED TO THIS AGREEMENT OR ITS PERFORMANCE ARISING FROM BREACH OF WARRANTY, BREACH OF CONTRACT, NEGLIGENCE OR ANY OTHER LEGAL OR EQUITABLE THEORY EVEN IF SUCH PARTY OR ITS AGENT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

6. Infringement.

(a) CCI, SGIC and SCI Holding Indemnification Obligation. CCI, SGIC and SGI Holding jointly and severally shall indemnify, defend and hold the Venture and the Manager and their respective officers, directors, employees, agents and licensees harmless from and against any and all damages (subject to Section 5 hereof), liabilities, costs and expenses (including reasonable attorneys' fees) resulting from the breach or untruthfulness of the representations and warranties set forth in Section 2(a)(i) hereof (and including amounts incurred in the settlement or avoidance of any claims based thereon), provided that CCI shall be given prompt notice of the claim and the opportunity to control the defense and/or settlement thereof, provided that the Venture shall have the right to approve any settlement involving other than a monetary payment, which approval shall not be unreasonably withheld, conditioned or delayed.

(b) Venture indemnification Obligation. Without limiting Sections 2(a)(i) and 6(a), the Venture shall indemnify, defend and hold CCI and its officers, directors, employees, agents and licensees harmless from and against any and all damages (subject to Section 5 hereof), liabilities, costs and expenses (including reasonable attorneys' fees) resulting from the infringement of any third party trademarks, trade names, service marks, service names or other trade rights resulting from the use of the Trade Rights outside of the United States of America, provided that the Venture shall be given prompt notice of the claim and the opportunity to control the defense and/or settlement thereof.

(c) Infringement of Trade Rights. In the event of any infringement of the Trade Rights, the Venture will have the right at its sole cost and expense and for its sole benefit to

take any action or to commence any proceeding it deems necessary against the infringing party or parties. CCI shall provide such cooperation and assistance in connection therewith as may be reasonably requested by the Venture, and the Venture shall promptly reimburse CCI for its costs and expenses incurred in connection with providing such cooperation and assistance.

7. Term; Survival of Provisions.

(a) Term. The term of the license granted under Section 1 hereof shall be co-extensive with the term of the Venture's corporate existence, which shall include any period of liquidation and winding up following the dissolution or authorization of the dissolution of the Venture; provided, however, that if the Venture is merged or amalgamated with or consolidated into another corporation or entity or sells all or substantially all of its assets to another corporation or entity or otherwise is combined with another corporation or entity in a merger, amalgamation, consolidation, sale of assets or other transaction approved in accordance with or permitted by Section 1.6 of the Shareholders Agreement, such license will continue in effect and the successor party to the Venture shall, if necessary, be deemed to be the assignee of the Venture under this Agreement. Notwithstanding any breach of this Agreement by the Venture, CCI shall not be entitled to terminate the license rights granted under Section 1 hereof prior to the expiration of such license rights as provided in this Section 7(a); provided, however, that this provision shall not otherwise limit the liability of the Venture for any such breach.

(c) Survival. Notwithstanding any termination or expiration of the license rights granted hereunder, the representations and warranties of clause (a)(i) of Section 2, the indemnification provisions of Section 6, the provisions of Section 8 and all other provisions of this Agreement not required to terminate with such license rights shall survive any such termination or expiration.

8. General Provisions.

(a) Notices; Payments. All notices and other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be personally delivered (by commercial courier or otherwise) or sent by telecopy receipt of which is confirmed or sent first class mail, registered or certified, return receipt requested, postage prepaid, addressed as follows:

If to CCI, SGIC or SGI Holding:

c/o Creator Capital Inc.
595 Howe Street, Suite 1115
Vancouver, British Columbia V6C 2T5
Canada
Attention: Mr. Malcolm P. Burke
Telecopier: (604) 687-8678
Telephone: (604) 689-1515

with a copy to:

Gordon R. Kanofsky, Esq.
Hughes Hubbard & Reed
350 South Grand Avenue
Los Angeles, California 90071-3442
United States of America
Telecopier: (213) 613-2950
Telephone: (213) 613-2876

If to the Venture:

Interactive Entertainment Limited
c/o Creator Capital Inc.
595 Howe Street, Suite 1115
Vancouver, British Columbia V6C 2T5
Canada
Attention: Mr. Malcolm P. Burke
Telecopier: (604) 687-8678
Telephone: (604) 689-1515

with copies to:

Gordon R. Kanofsky, Esq.
Hughes Hubbard & Reed
350 South Grand Avenue
Los Angeles, California 90071-3442
United States of America
Telecopier: (213) 613-2950
Telephone: (213) 613-2876

and

John W. McConomy, Esq.
Associate General Counsel
The Promus Companies Incorporated
1023 Cherry Road
Memphis, Tennessee 38117-5423
United States of America
Telecopier: (901) 762-8735
Telephone: (901) 762-8737

Notices and other communications shall be deemed delivered, (i) in the case of personal delivery, on the date of their receipt at the address(es) specified above for delivery, (ii) in the case of a telecopy, upon confirmation of its receipt, and (iii) in the case of mail, at the earlier of the time of receipt or five days after the mailing thereof. Any payments required to be made pursuant to this Agreement shall be made and delivered in person or by mail in the same manner as provided above for notices and other communications. Any party may change its address for the giving of notices, other communications and payments by notice given in accordance with this Section.

(b) Assignment. Except in connection with assignments or deemed assignments permitted by Section 7(a) hereof or required or permitted by the terms of the Shareholders Agreement, the Venture shall not have the right to assign its interests under this Agreement without the prior written consent of the CCI, which may be given or denied in CCI's sole discretion. This Agreement shall be binding upon and inure to the benefit of the parties and their respective permitted successors, legal representatives and assigns.

(c) Severability. The provisions of this Agreement shall be deemed severable. If any provision hereof shall be found invalid, illegal, void or unenforceable, in whole or in part, the remaining provisions or portions thereof shall remain in full force and effect to the maximum extent permissible. To the maximum extent permitted by applicable law, each party hereby waives any provision of law which renders any provision of this Agreement invalid, illegal, void or unenforceable.

(d) Governing Law. THIS AGREEMENT AND ALL RELATIONS OF THE PARTIES IN CONNECTION HEREWITH SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEVADA, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS OR CHOICE OF LAW RULES OR LAWS OF SUCH JURISDICTION.

(e) Forum Selection. THE PARTIES AGREE THAT ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE COMMENCED IN A STATE OR FEDERAL COURT OF OR IN CLARK COUNTY, NEVADA, WHICH THE PARTIES AGREE IS THE SOLE AND EXCLUSIVE VENUE FOR THE CONVENIENCE OF THE PARTIES FOR PURPOSES OF THIS AGREEMENT, AND EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION AND VENUE OF SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING AND WAIVES ANY RIGHT THAT IT MAY NOW OR HEREAFTER HAVE TO TRANSFER OR CHANGE THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING, EXCEPT THAT EACH PARTY RETAINS WHATEVER RIGHT IT MAY HAVE TO REMOVE SUCH SUIT, ACTION OR PROCEEDING TO THE FEDERAL COURT SITTING IN CLARK COUNTY, NEVADA.

(f) Attorneys' Fees and Costs. If any litigation or other proceeding between or among the parties is commenced in connection with or related to this Agreement, the losing party or parties shall pay the reasonable attorneys' fees and costs and expenses of the prevailing party or parties incurred in connection therewith.

(g) Entire Agreement; Modification. This Agreement, together with the Shareholders Agreement, the License Agreement and the Management Agreement between the Venture and the Manager entered into concurrently herewith, constitute the entire agreement among the parties hereto with respect to the subject matter hereof and supersede all prior negotiations and agreements with respect to the subject matter hereof. This Agreement may be modified only by an instrument in writing duly executed by the party sought to be bound by such modification.

(h) Waivers. No breach of any covenant, condition, agreement, warranty or representation made herein shall be deemed waived unless expressly waived in writing by the party who might assert such breach. Any such waiver may be made in advance or after the right waived has arisen or the breach or default waived has occurred. Any such waiver may be conditional. No such waiver shall be deemed to be a waiver of any other matter, whenever occurring and whether identical, similar or dissimilar to the matter waived.

(i) Further Assurances. Each party agrees promptly to execute and deliver such documents and to do such other acts as may be requested by any other party and are in the reasonable judgment of the requesting party necessary or appropriate to effectuate the purposes

of this Agreement. Such matters may include, but shall not be limited to, the registration of a party as the owner or user of some or all of the Software or the Venture Technology, as the case may be, under the laws of any United States or foreign jurisdiction. The requesting party shall promptly reimburse the other party for its costs and expenses incurred in connection with providing such further assurances and cooperation.

(j) Relationship of Parties. Nothing set forth herein shall ever be construed to create an association, trust or partnership or impose a trust or partnership duty, obligation or liability on or with regard to either of the parties hereto.

(k) Headings: Gender; Number. The headings of the sections and subsections herein are inserted for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement. As used herein and as the context requires, a reference to the male, female or neutral gender includes a reference to each other gender, and a reference to the singular or plural number includes a reference to the other number.

(l) Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed to constitute an original.

(m) Computer Media. Each party shall be entitled to have a copy of this Agreement, including all written schedules and exhibits, on diskette or other commonly used

computer storage media in a format readable by one or more leading word processing programs as of the date of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CREATOR CAPITAL INC.

By: ----------
Malcolm P. Burke, Director

By: ----------
James P. Grymyr, Director

INTERACTIVE ENTERTAINMENT LIMITED

By: ----------
Daniel H. Greene, Director and President

SGI HOLDING CORPORATION LIMITED

By: ----------
Malcolm P. Burke, Director and President

SKY GAMES INTERNATIONAL, CORP.

By: ----------
James P. Grymyr, President

SCHEDULE A TO TRADEMARK LICENSE AGREEMENT

EXISTING REGISTRATIONS

Mark	Reg. No.	Class	Date Reg.
Sky Games International - "We Make Time Fly"	1,718,373	Int. Class 28 (Prior U.S. Classes 22 & 38)	September 22, 1992

PENDING INTENT TO USE APPLICATIONS

Mark	Serial No.	Filing Date	Type	Class
Sky Games International - "We Make Time Fly"	74/349915	December 10, 1991	1(b)	42

ABANDONED INTENT TO USE APPLICATIONS

Mark	Serial No.	Filing Date/ Abandonment Date	Type	Class
Casino Class	74/338046	December 8, 1992 / May 17, 1994	1(b)	42

EXHIBIT 8

[EXECUTION COPY]

GUARANTY

THIS GUARANTY is made and entered into as of this 13th day of May, 1997, by SGI Holding Corporation Limited, a Bermuda exempted company ("SGIH") ("Guarantor"), in favor of Harrah's Interactive Investment Company, a Nevada corporation ("Lender").

THIS GUARANTY IS ENTERED INTO WITH RESPECT TO THE FOLLOWING FACTS AND CIRCUMSTANCES:

A. Pursuant to the Financing Agreements, as defined in that certain Funding Agreement dated as of the date hereof among Interactive Entertainment Limited, a Bermuda exempted company ("IEL" or "Borrower") and Sky Games International Ltd., a Bermuda exempted company ("SGI"), and Lender, as lender (the "Funding Agreement"), Lender has agreed to loan to IEL funds required by IEL to fund its day-to-day business activities up to the amounts set forth in the Funding Agreement. The loan is evidenced by a Convertible Promissory Note dated the date hereof (the "Note").

B. Lender has required, as a condition to its entering into the Financing Agreements with IEL, that Guarantor guarantee, in accordance with the terms and conditions hereinafter set forth, the obligations of IEL under the Financing Agreements, including without limitation the repayment of all amounts due to Lender.

C. The Funding Agreement is dated as of the date hereof and is being executed simultaneously with this Guaranty.

IN CONSIDERATION OF SUCH FACTS AND CIRCUMSTANCES; TO INDUCE LENDER TO ENTER INTO THE FINANCING AGREEMENTS; AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, GUARANTOR HEREBY AGREES FOR THE BENEFIT OF LENDER AS FOLLOWS:

1. Guaranty. Guarantor hereby unconditionally guarantees to Lender, and Lender's successors and assigns, the payment of all amounts that may become payable by Borrower pursuant to the Funding Agreement and the Note and the full and punctual performance and observance of all the terms, covenants, obligations and conditions contained in the Financing Agreements to be kept, performed or observed by Borrower, for which Guarantor shall be jointly and severally liable with Borrower.

2. Actions of Lender. Any act of Lender, or Lender's successors and assigns, consisting of a waiver of any of the terms and conditions of the Financing Agreements or the giving of any consent to any matter or thing relating to the Financing Agreements or the granting of any indulgence or extensions of time to Borrower under the Financing Agreements may be done without notice to Guarantor and without releasing the obligations of Guarantor.

3. Modifications of Borrower's Obligations. The obligations of Guarantor shall not be released by the receipt, application or release by Lender of any security given for the performance and observance of the terms, covenants and conditions of the Funding Agreement or the Note, nor by any amendment or modification of the Funding Agreement. If the Funding Agreement or the Note is amended or modified, by Borrower and Lender, the liability of Guarantor shall be deemed to be modified in accordance with the terms of any such amendment or modification of the Funding Agreement or the Note and this Guaranty, as so modified, shall remain in full force and effect.

4. Defenses Waived. The liability of Guarantor shall not be affected, reduced or set-off in any manner by the following events or circumstances: (a) the release, discharge or the impairment, limitation or modification of the liability of Borrower in any creditors' receivership, bankruptcy or other proceedings; (b) the rejection or disaffirmance of the Funding Agreement or the Note in any proceeding; (c) any disability or other defense or counter-claim or right of set-off, which might be available at law or equity to Borrower or Guarantor; (d) the cessation from any cause whatsoever of the duties, obligations and liabilities of Borrower; (e) any statute of limitations affecting Guarantor's liability or the enforcement thereof; (f) any invalidity, irregularity or enforceability of or defect in the Funding Agreement or the Note; or (g) the winding up, dissolution or reorganization of Borrower; or (h) any other circumstance permitting a defense.

5. Waiver of Subrogation. Until all the covenants and conditions in the Funding Agreement to be performed and observed by Borrower are fully kept, performed and observed, the Guarantor: (a) shall have no right of subrogation against Borrower by reason of any payments or acts of performance by the Guarantor, in compliance with the obligations of the Guarantor hereunder; (b) shall waive any right to enforce any remedy which the Guarantor now or hereafter shall have against Borrower by reason of any one or more payments or acts of performance in compliance with the obligation of the Guarantor.

6. Term of Guaranty. This Guaranty is absolute and unconditional, shall continue in force for the entire period that Borrower and SGI may incur any liability pursuant to the Financing Agreements and shall not be impaired by any change in the Guarantor's relationship, or the complete termination of the Guarantor's relationship, with Borrower or by any other occurrence except a release in writing from the Lender; provided, however, that, any implication contained herein to the contrary notwithstanding, this Guaranty shall terminate upon the amalgamation of IEL with and into SGIH and the conversion of the obligations under the Note into the common stock, Cdn. $.01 par value, of SGI.

7. Modification. This instrument may not be changed, modified, discharged or terminated orally or in any manner other than by an agreement in writing executed by Lender and Guarantor.

8. Release. Lender may, without releasing, reducing, extinguishing or otherwise affecting Guarantor's liability for the full performance of all obligations under this Guaranty and full payment of all sums under this Guaranty at any time, without notice to or consent by Guarantor, release any other guarantor or party liable therefor from its obligations under the Funding Agreement or the Note.

9. Actions Against Guarantor. The agreements, obligations, warranties and representations of the Guarantor are independent of the obligations of Borrower and, in the event of any default, a separate action or actions may be brought and prosecuted against Guarantor regardless of whether Borrower is joined therein or a separate action or actions is brought before, after or simultaneously against Borrower. Lender may maintain successive actions for defaults. Lender's rights shall not be exhausted by the exercise of any of its rights or remedies or by any such action or by any number of successive actions until and unless all obligations hereby guaranteed have been fully paid and performed. If Lender is compelled at any time to take any action or proceeding in court or otherwise to enforce or compel compliance with the terms of this Guaranty, Guarantor shall, in addition to any other rights and remedies to which Lender may be entitled hereunder or as a matter of law or in equity, be obligated to pay all costs, including without limitation reasonable attorneys' fees, incurred or expended by Lender in connection with such enforcement proceedings. Lender may resort to Guarantor for payment of any of the obligations under the Financing Agreements, whether or not Lender (i) shall have resorted to any property securing any of the obligations under the Financing Agreements or (ii) shall have proceeded against any other obligor primarily or secondarily obligated with respect to any of the

obligations under the Financing Agreements (all of the actions referred to in preceding clauses (i) and (ii) being hereby expressly waived by the Guarantor).

10. Applicable Law and Forum. This Guaranty shall be governed by and construed in accordance with the laws of the State of Tennessee. Guarantor further agrees that the determination of any action relating to the Guaranty pursuant to the terms thereof shall be either in an appropriate court of the state of Tennessee or the Unites States District Court for the Western District of Tennessee.

11. Unenforceable Provision. Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions shall to the maximum extent possible remain effective.

12. Entire Agreement. This Guaranty shall constitute the entire agreement of Guarantor with Lender with respect to the subject matter hereof.

13. Successors and Assigns. This Guaranty shall inure to the benefit of Lender, Lender's successors and assigns. This Guaranty may not be assigned by Guarantor without the consent of Lender.

14. Notices. All notices and other communications to be delivered or made hereunder shall be in writing and shall be (i) delivered personally, (ii) sent by postage prepaid certified mail, return receipt requested, (iii) sent by express courier service or (iv) sent by facsimile at the following addresses or at such other addresses as shall be described in written notice as provided herein:

Guarantor: SGI Holding Corporation Limited
595 Howe Street, Suite 1115
Vancouver, British Columbia V6C 2T5
Attn: Malcolm P. Burke
Facsimile No.: 604-687-8678

With a copy to: Altheimer & Gray
10 South Wacker Drive, Suite 4000
Chicago, Illinois 60606
Attn: Andrew W. McCune, Esq.
Facsimile No.: 312-715-4800

Lender: Harrah's Interactive Investment Corporation
1023 Cherry Road
Memphis, Tennessee 38117
Attn: John M. Boushy
Facsimile No.: 901-762-8914

With a copy to: Harrah's Entertainment, Inc.
1023 Cherry Road
Memphis, Tennessee 38117
Attn: John W. McConomy, Esq.
Facsimile No.: 901-762-8735

All such notices and communications shall be effective, if mailed, upon expiration of the fifth (5th) day following the date of mailing (except that any notice of change of address shall be effective only upon receipt

by the party to whom such notice is addressed), and if delivered personally or delivered by courier, upon receipt or refusal of delivery, and if by facsimile, upon the first business day following confirmed transmission; provided such notice or communication is also mailed in accordance with the foregoing requirements within two (2) days of delivery by facsimile.

IN WITNESS WHEREOF, Guarantor, intending to be legally bound, has caused this Guaranty to be executed as of the date first above written.

Guarantor:

SGI HOLDING CORPORATION LIMITED

By:/s/ Malcolm P. Burke

Its:President

EXHIBIT 9

[EXECUTION COPY]

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this "Agreement") is made and entered into as of the 13th day of May, 1997 by SGI Holding Corporation Limited, a Bermuda exempted company ("Pledgor"), for the benefit of Harrah's Interactive Investment Company, a Nevada corporation ("Pledgee").

RECITALS

A. Pursuant to the terms of that certain Funding Agreement of even date herewith among Interactive Entertainment Limited, a Bermuda exempted company, as borrower ("IEL" or Borrower"), and Sky Games International Ltd., a Bermuda exempted company, ("SGI"), and Pledgee, as lender (the "Funding Agreement"), Pledgee has agreed to loan to IEL funds required by IEL to fund its day-to-day business activities up to the amounts set forth in the Funding Agreement. Such loans shall be evidenced by a Convertible Promissory Note in the form attached to the Funding Agreement (the "Note").

B. As a condition precedent to making the loans under the Funding Agreement, Pledgee has required that Pledgor pledge to Pledgee, as security for the performance of the obligations of Pledgor under a Guaranty dated as of the date hereof in favor of Pledgee (the "Guaranty"), all of the shares of capital stock of IEL (the "IEL Shares") received by Pledgor in respect to its capital contributions to IEL after the date of this Agreement and during the term of the Note. All capitalized terms contained herein and not otherwise defined shall have the meanings ascribed to them in the Funding Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals, and the covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Pledge of Collateral. Pledgor does hereby convey, transfer, assign, set over and grant unto Pledgee, as security for the payment and performance of all of Pledgor's obligations under the Guaranty a continuing general lien upon and security interest in the Collateral (as hereinafter defined) and in Pledgor's right to receive all distributions attributable to the Collateral, including, without limitation, all of Pledgor's right, title and interest in and to all goods, instruments, money and other property, of whatever kind or character, whether cash or noncash, real or personal, now or hereafter due to Pledgor in respect of the Collateral Shares (as hereinafter defined), together with all of the interest of Pledgor, whether now owned or hereafter acquired, as a member in any successor entity or as an owner in any other entity, whether said successor is a continuation of IEL or a reformation thereof, or otherwise, together with all other property which, absent this assignment would, now or hereafter, be distributable or distributed, transferable or transferred, payable or paid, or deliverable or delivered to Pledgor by IEL or by such successor, whether at any time prior to, or in connection with, or after the liquidation of IEL, including, without limitation, distributions of cash and distributions of property in kind, by IEL (collectively, the "Distributions"). Pledgor hereby irrevocably authorizes and directs IEL, upon receipt of written notice from Pledgee that an uncured Event of Default has occurred to distribute, transfer, pay and deliver any and all of said Distributions to Pledgee, at such address as it may direct, at such time and in such manner as such distributions would otherwise be distributed, transferred, paid or delivered to Pledgor with respect to the period following the date of such notice.

2. Collateral. For the purpose of this Agreement, "Collateral" shall mean all of Pledgor's right, title and interest in and to any and all IEL Shares issued as of the date hereof or issuable to Pledgor on and after the date of this Agreement and so long as any amounts or obligations are outstanding under the

Financing Agreements ("Collateral Shares"), whether now owned or hereafter acquired, together with all other rights, interests, claims and other property of Pledgor in any manner arising out of or relating to Collateral Shares, whether such rights, interests, claims or other property are now owned or hereafter acquired by Pledgor, whatever their respective kind or character, whether they are tangible or intangible property, and wheresoever they may exist or be located, including, without limitation, all of the rights of Pledgor (whether now owned or hereafter acquired) to Distributions of or from IEL in respect to the Collateral Shares, whether cash or noncash, and whether prior to or in connection with the liquidation of IEL and all proceeds, whether cash proceeds or noncash proceeds (as such terms are defined in the Uniform Commercial Code), and products of any and all of the foregoing.

3. Delivery of Share Certificates; Stock Powers. Pledgor shall promptly deliver to Pledgee share certificates, if any, or other documents representing Collateral acquired or received after the date of this Agreement with stock powers duly executed by Pledgor. If at any time Pledgee notifies Pledgor that additional stock powers endorsed in blank held by Pledgee with respect to the Collateral or other documents with respect to the Collateral are required, Pledgor shall promptly execute in blank and deliver such stock powers or other documents as Pledgee may request.

4. Stock Dividends and Distributions. If the Collateral Shares or any additional shares of capital stock, instruments, or other property distributable on or by reason of the Collateral, shall come into the possession or control of Pledgor, and such property is such that a security interest therein can be perfected only by possession by Pledgee, Pledgor shall hold the same in trust and forthwith transfer and deliver the same to Pledgee subject to the provisions hereof. Notwithstanding the above, absent the occurrence of an uncured Event of Default, Pledgor shall retain the right to vote, receive and retain all dividends or other Distributions declared on all interests included in the Collateral Shares. Upon or at any time after the occurrence an uncured Event of Default, Pledgee, at its option to be exercised in its sole discretion, may foreclose under the terms of this Agreement and/or deliver written notice to IEL to pay all Distributions to Pledgee. IEL shall be entitled to rely conclusively on such notice and is hereby authorized and directed by Pledgor to pay all Distributions to Pledgee upon receipt of such notice auld shall have no liability to Pledgor for any loss or damage Pledgor may incur by reason of said reliance.

5. Power of Attorney. Pledgor hereby constitutes and irrevocably appoints Pledgee, with full power of substitution and revocation by Pledgee, as Pledgor's true and lawful attorney-in-fact, to the full extent permitted by law, at any time or times when an Event of Default has occurred and is continuing, to: affix to certificates and documents representing the Collateral the stock powers or other documents delivered with respect thereto; transfer or cause the transfer of the Collateral or any part thereof on the books of IEL to the name of Pledgee or Pledgee's nominee and thereafter exercise as to such Collateral all the rights, powers and remedies of an owner; and execute and file on its behalf any financing statements, continuation statements or other documentation required to perfect or continue the security interest created hereby or otherwise protect Pledgee's interest in the Collateral. The power of attorney granted pursuant to this Agreement and all authority hereby conferred are granted and conferred solely to protect Pledgee's interest in the Collateral and shall not impose any duty upon Pledgee to exercise any power. This power of attorney shall be irrevocable as one coupled with an interest.

6. No Assumption. Notwithstanding any of the foregoing and except as otherwise provided herein, whether or not a default by Pledgor shall have occurred under the terms of the Financing Agreements and whether or not Pledgee elects to foreclose on its security interest in the Collateral and Distributions as set forth herein, neither receipt by Pledgee of any of Pledgor's right, title and interest in and to the Distributions, now or hereafter due to Pledgor from IEL nor Pledgee's foreclosure of its security interest

in the Collateral, shall in any way be deemed to obligate Pledgee to assume any of Pledgor's obligations, duties, expenses or liabilities under, or under any and all agreements now existing or hereafter drafted or executed (collectively, the "Obligations"). In the event of foreclosure by Pledgee, Pledgor shall remain bound and obligated to perform the Obligations and Pledgee shall not be deemed to have assumed any of such Obligations.

7. Representations, Warranties and Covenants. Pledgor represents, warrants, covenants and agrees that it has the full right and title to its interest in the Collateral and the Distributions free and clear of any liens, encumbrances or security interests other than in favor of Pledgee and the full power and authority to pledge, convey, transfer and assign its interest therein. Pledgor shall not convey, transfer, assign, set over or pledge to any other party any of its interest in the Collateral or the Distributions.

8. Defaults, Remedies.

(a) An "Event of Default" under the Financing Agreements shall be an Event of Default hereunder (an "Event of Default").

(b) Upon the occurrence of an uncured Event of Default hereunder, Pledgee may, at its option, do any one or more of the following:

(i) declare all indebtedness secured hereby to be immediately due and payable, whereupon all unpaid principal of and accrued and unpaid interest on said indebtedness and other amounts declared due and payable shall be and become immediately due and payable without presentment, demand, protest or notice of any kind;

(ii) either personally, or by means of a court appointed receiver, take possession of all or any of the Collateral and exclude therefrom Pledgor and all others claiming under Pledgor, and thereafter exercise all rights and powers of Pledgor with respect to the Collateral or any part thereof. Upon application to a court of competent jurisdiction, Pledgee shall be entitled to a receiver as a matter of strict right without notice and without regard to the adequacy or value of any security for the indebtedness secured hereby or the solvency of any party bound for its payment. The receiver shall have all the rights and powers permitted under the laws of the State of Tennessee. In the event Pledgee demands, or attempts to take possession of the Collateral in the exercise of any rights under this Agreement, Pledgor promises and agrees to promptly turn over and deliver complete possession thereof to Pledgee;

(iii) without notice to or demand upon Pledgor, make such payments and do such acts as Pledgee may deem necessary to protect its security interest in the Collateral, including, without limitation, paying, purchasing, contesting or compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder, and in exercising any such powers or authority to pay all expenses incurred in connection therewith;

(iv) require Pledgor to take all actions necessary to deliver such Collateral to Pledgee, or an agent or representative designed by it. Pledgee, and its agents and representatives, shall have the right to enter upon any or all of Pledgor's premises and property to exercise Pledgee's rights hereunder;

(v) foreclose this Agreement as herein provided or in any manner permitted by law, and sell or cause to be sold in such order as Pledgee may determine, the property described in this Agreement;

(vi) sell or otherwise dispose of the Collateral at public or private sale, without having the Collateral at the place of sale, and upon terms and in such manner as Pledgee may determine; provided, Pledgee or IEL may be a purchaser at any sale and may apply any unpaid portion of indebtedness on account of or in full satisfaction of the purchase price; and

(vii) exercise any remedies of a secured party under the Uniform Commercial Code of Tennessee or any other applicable law.

(c) Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Pledgee shall give Pledgor at least ten (10) days' prior written notice of the time and place of any public sale of the Collateral or other intended disposition thereof to be made which notice the parties hereto agree to be reasonable. Such notice may be mailed to Pledgor at the address set forth in the Shareholders Agreement.

(d) The proceeds of any sale under subparagraph 7(b)(vi) shall be applied as follows:

(i) to the repayment of the reasonable costs and expenses of retaking, holding and preparing for the sale and the selling of the Collateral (including legal expenses and attorneys' fees) and the discharge of all assessments, encumbrances, charges or liens, if any, on the Collateral prior to the lien hereof (except any taxes, assessments, encumbrances, charges or liens subject to which such sale shall have been made);

(ii) to the payment of all outstanding amounts then due to Pledgee (including principal and interest) under the Financing Agreements and

(iii) the surplus, if any, shall be paid to the Pledgor or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

(e) Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "Securities Act"), and applicable state securities laws, Pledgee may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Pledgor acknowledges that any such private sales may be at prices and on terms less favorable to Pledgor than those obtainable through a public sale without such restrictions (including, without limitation, a public offering made pursuant to a registration statement under the Securities Act), and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that Pledgee shall have no obligation to engage in public sale and no obligation to delay the sale of any Collateral for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if Pledgor would agree to do so.

(f) If Pledgee exercises its right to sell any or all of the Collateral, upon written request from Pledgee, Pledgor shall and shall cause IEL from time to time to furnish to Pledgee all such

information as Pledgee may request in order to determine the IEL Shares and other instruments included in the Collateral which may be sold by Pledgee as exempt transactions under the Securities Act and the rules of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

(g) Pledgee shall have the right to enforce one or more remedies hereunder, successively or concurrently, and such action shall not operate to estop or prevent Pledgee from pursuing any further remedy which it may have, and any repossession or retaking or sale of the Collateral pursuant to the terms hereof shall not operate to release Pledgor until full satisfaction of all of its obligations under the Funding Agreement.

(h) Pledgor agrees that any legal action or proceeding with respect to this Agreement may be brought in the courts of the State of Tennessee, all as Pledgee may elect. By execution of this Agreement, Pledgor hereby submits to such jurisdiction, hereby expressly waiving whatever rights may correspond to it by reason of its present or future domicile.

9. Further Documentation. Pledgor shall duly execute and/or deliver (or cause to be duly executed and/or delivered) to Pledgee any instrument, document, order, financing statement, assignment, waiver, consent, or other writing which may be reasonably necessary to Pledgee to carry out the terms of this Agreement, the Funding Agreement and the Note and to perfect its security interest in and facilitate the collection of the Collateral, the proceeds thereof, and any other property at any time constituting security to Pledgee. Pledgor shall perform or cause to be performed such acts as Pledgee may reasonably request to establish and maintain for Pledgee a valid and perfected security interest in and security title to the Collateral, free and clear of any liens, encumbrances or security interest other than in favor of Pledgee.

10. Termination of Agreement and Assignment. This Agreement shall automatically terminate and shall be surrendered upon satisfaction in full of all obligations of IEL under the Note, including by way of conversion of amounts outstanding under the Note into shares of common stock, Cdn. $.01 par value, of SGI in connection with the amalgamation of IEL with and into SGIH. Upon the termination of this Agreement, Pledgee shall deliver to Pledgor such instruments as Pledgor may reasonably request to discharge the lien created by this Agreement.

11. Governing Law. This Pledge and Security Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee. SGIH further agrees that the determination of any action relating to this Agreement or any of the Financing Agreements delivered in favor of Pledgee pursuant to the terms thereof shall be either an appropriate court of the State of Tennessee or the United States District Court for the Western District of Tennessee.

12. Successors and Assigns. All agreements, covenants, conditions and provisions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto.

13. Notices. All notices and other communications to be delivered or made hereunder shall be in writing and shall be (i) delivered personally, (ii) sent by postage prepaid certified mail, return receipt requested, (iii) sent by express courier service, or (iv) sent by facsimile at the following addresses or at such other addresses as shall be described in a written notice as provided herein:

Pledgor: SGI Holding Corporation Limited
595 Howe Street, Suite 1115
Vancouver, British Columbia V6C 2T5
Attn: Malcolm P. Burke
Facsimile No.: 604-687-8678

With a copy to: Altheimer & Gray
10 South Wacker Drive, Suite 4000
Chicago, Illinois 60606
Attn: Andrew W. McCune, Esq.
Facsimile No.: 312-715-4800

Pledgee: Harrah's Interactive Investment Corporation
1023 Cherry Road
Memphis, Tennessee 38117
Attn: John M. Boushy
Facsimile No.: 901-762-8914

With a copy to: Harrah's Entertainment, Inc.
1023 Cherry Road
Memphis, Tennessee 38117
Attn: John W. McConomy, Esq.
Facsimile No.: 901-762-8735

All such notices and communications shall be deemed effective, if mailed, upon expiration of the fifth (5th) day following the date of mailing (except that any notice of change of address shall be effective only upon receipt by the party to whom such notice is addressed), if delivered personally or delivered by courier, upon receipt or refusal of delivery, and if by facsimile, upon the first business day following confirmed transmission; provided such notice or communication is also mailed in accordance with the foregoing requirements within two (2) days of delivery by facsimile.

14. Attorney's Fees. In the event of any dispute or litigation concerning the enforcement or validity of this Agreement, the losing party shall pay all reasonable charges, costs, and expenses (including reasonable attorneys' fees and costs) incurred by the prevailing party whether or not any action or proceeding is brought relative to such dispute and whether or not such litigation is prosecuted to judgment.

15. Severability. Every provision of this Agreement is intended to be severable. In the event any term or provision hereof is declared by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

16. Amendment. This Agreement may be modified or rescinded only by a writing expressly relating to this Agreement and signed by both Pledgor and Pledgee.

IN WITNESS WHEREOF, Pledgor has executed this Agreement as of the date first above written.

PLEDGOR

SGI HOLDING CORPORATION LIMITED

By: /s/ Malcolm P. Burke

Title: President
