

OMB APPROVAL  
OMB Number: 3235-0416  
Expires: February 28, 2006  
Estimated average burden  
hours per response 182.00

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-QSB**

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

For the quarterly period from April 1, 2004 to June 30, 2004

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-50535

INFINIUM LABS, INC.

(Exact name of small business issuer as specified in its charter)

Delaware 65-1048794  
(State or other jurisdiction Identification No.) (IRS Employer of incorporation or organization.)

2033 Main Street, Suite 309, Sarasota, Florida 34237  
(Address of Principal Executive Offices) (Zip Code)

(941) 917-0788  
Issuer's telephone number, including area code

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Transitional Small Business Disclosure Format (Check one): Yes ☐ No ☒

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. There were 99,696,437 shares of Common Stock, par value \$.0001 per share, issued and outstanding as of August 16, 2004.

SEC 2334 (8-03) Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

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**INFINIUM LABS, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2004  
(UNAUDITED)**

**INFINIUM LABS, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)**

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INFINIUM LABS, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
Condensed Balance Sheet as of June 30, 2004  
(Consolidated) (Unaudited)

**ASSETS**

**Current Assets:**

Cash	\$ 61,667
Prepaid expenses	174,673
Other receivables	3,712
Total Current Assets	<u>240,052</u>

<b>Property and Equipment, Net</b>	480,260
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**Other Assets:**

Deposits	99,624
Intangible asset, net (Note 3)	285,484
Total Other Assets	<u>385,108</u>

<b>Total Assets</b>	<b>\$ <u>1,105,420</u></b>
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**LIABILITIES AND STOCKHOLDERS' DEFICIENCY**

**Current Liabilities:**

Accounts payable and accrued expenses	\$ 1,144,994
Promissory notes (Note 4)	3,057,284
<b>Total Liabilities</b>	<u>4,202,278</u>

**Stockholders' Deficiency:**

Common stock, \$0.0001 par value, 200,000,000 shares authorized, 98,789,009 shares issued and outstanding, (Note 5)	9,884
Additional paid-in capital (Note 5)	17,390,612
Accumulated deficit during development stage	<u>(20,497,354)</u>
Total Stockholders' Deficiency	<u>(3,096,858)</u>

<b>Total Liabilities and Stockholders' Deficiency</b>	<b>\$ <u>1,105,420</u></b>
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See accompanying Notes to Condensed Financial Statements.

**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Condensed Statements of Operations**  
**(Unaudited)**

	For the Three Months Ended June 30, 2004 (Consolidated)	For the Three Months Ended June 30, 2003	For the Six Months Ended June 30, 2004 (Consolidated)	For the Six Months Ended June 30, 2003	For the Period from December 9, 2002 (Inception) to June 30, 2004 (Consolidated)
<b>Operating Expenses:</b>					
Development costs	\$ 744,134	\$ (40,000)	\$ 1,251,944	\$ (10,000)	\$ 1,657,294
Advertising	520,158	5,201	568,934	12,285	735,554
Salary expense	1,907,871	1,255	2,352,981	21,255	2,352,981
Professional fees	2,644,491	(34,431)	3,783,015	-	4,475,475
Consultants	-	-	2,990,811	-	3,869,596
General and administrative	1,644,104	22,988	2,667,311	42,312	3,381,968
Total Operating Expenses	<u>7,460,758</u>	<u>44,987</u>	<u>13,614,996</u>	<u>65,852</u>	<u>(16,472,868)</u>
<b>Net Loss from Operations</b>	(7,460,758)	44,987	(13,614,996)	(65,852)	(16,472,869)
<b>Other Income (Expense):</b>					
Interest income	-	-	-	-	37
Interest expense	<u>(3,921,498)</u>	<u>-</u>	<u>(4,017,742)</u>	<u>-</u>	<u>(4,024,523)</u>
Total Other Income (Expense)	<u>(3,921,498)</u>	<u>-</u>	<u>(4,017,742)</u>	<u>-</u>	<u>(4,024,486)</u>
<b>Loss before Income Taxes</b>	(11,382,256)	44,987	(17,632,738)	(65,852)	(20,497,355)
<b>Income Taxes</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Loss</b>	<u>\$ (11,382,256)</u>	<u>\$ 44,987</u>	<u>\$ (17,620,238)</u>	<u>\$ (65,852)</u>	<u>\$ (20,497,354)</u>
<b>Per Common Share</b>					
Loss per common share – basic and diluted	<u>\$ (.12)</u>	<u>\$ nil</u>	<u>\$ (.185)</u>	<u>\$ nil</u>	<u>\$ (.36)</u>
Weighted average – basic and diluted	<u>94,830,810</u>	<u>58,142,912</u>	<u>95,032,164</u>	<u>58,142,912</u>	<u>56,528,834</u>

See accompanying Notes to Condensed Financial Statements.

**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Condensed Statement of Stockholders' Deficiency**  
**For the Period from December 9, 2002 (Inception) to June 30, 2004**  
**(Unaudited)**

	Common Stock		Additional	Accumulated	Stock	
	Shares	Amount	Paid-In	Deficit During	Subscriptions	Total
			Capital	Development	Receivable	
				Stage		
Stock issued to founders (\$0.0004 per share)	58,189,728	\$ 5,819	\$ 12,703	\$ -	\$ (18,517)	\$ 5
Stock issued for cash (\$0.125 per share)	4,423,012	442	526,261	-	-	526,703
Stock issued for services (\$0.3775 per share)	2,957,376	296	1,112,709	-	-	1,113,005
Net loss for the period from December 9, 2002 (inception) to October 31, 2003	-	-	-	(2,270,129)	-	(2,270,129)
Balance, October 31, 2003	65,570,116	6,557	1,651,673	(2,270,129)	(18,517)	(630,416)
Stock issued for cash (\$0.28 per share)	2,169,148	217	611,671	-	(4,000)	607,888
Stock issued for signage rights (\$0.3175 per share)	942,600	94	299,906	-	-	300,000
Stock issued for services (\$0.3175 per share)	434,036	43	138,097	-	-	138,140
Net loss for the two months ended December 31, 2003	-	-	-	(606,987)	-	(606,987)

See accompanying Notes to Condensed Financial Statements.

**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Condensed Statement of Stockholders' Deficiency**  
**For the Period from December 9, 2002 (Inception) to June 30, 2004**  
**(Unaudited)**

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit During Development Stage	Stock Subscriptions Receivable	Total
Balance, December 31, 2003	69,115,900	6,911	2,701,347	(2,877,116)	(22,517)	(191,375)
Recapitalization of Global Business Resources	16,156,000	1,615	(1,615)	-	-	-
Shares issued for cash (\$0.25 per share)	6,650,000	665	1,661,835	-	-	1,662,500
Shares issued for loan (\$1.475 per share)	240,000	24	353,976	-	-	354,000
Shares issued for settlement (\$1.475 per share)	66,668	7	98,328	-	-	98,335
Shares issued for services (\$1.475 per share)	1,750,000	175	2,581,075	-	-	2,581,250
Shares issued for loan (\$1.563 per share)	1,066,038	107	1,790,570	-	-	1,790,677
Shares issued for loan (\$1.470 per share)	962,812	96	1,415,237	-	-	1,415,333
Shares issued for loan (\$1.38 per share)	40,000	4	55,196	-	-	55,200
Shares issued for loan (\$1.42 per share)	200,000	20	283,980	-	-	284,000

See accompanying Notes to Condensed Financial Statements.



**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Condensed Statement of Stockholders' Deficiency**  
**For the Period from December 9, 2002 (Inception) to June 30, 2004**  
**(Unaudited)**

	Common Stock Shares	Amount	Additional Paid-In Capital	Accumulated Deficit During Development Stage	Stock Subscriptions Receivable	Total
Shares issued for loan (\$1.475 per share)	100,000	10	147,490	-	-	147,500
Shares issued for loan (\$1.538 per share)	40,000	4	61,496	-	-	61,500
Shares issued for loan (\$1.43 per share)	33,000	3	47,187	-	-	47,190
Shares issued for loan (\$1.42 per share)	511,000	51	725,569	-	-	725,620
Share issued for loan (\$1.475 per share)	74,999	8	110,624	-	-	110,632
Share issued for loan (\$11.475 per share)	135,000	14	152,537	-	-	152,551
Shares issued for loan (\$1.44 per share)	600,000	60	863,940	-	-	864,000
Shares issued for loan (\$1.44 per share)	200,000	20	287,980	-	-	288,000
Shares issued for loan (\$1.44 per share)	30,000	3	43,197	-	-	43,200
Shares issued for loan (\$1.475 per share)	33,332	3	49,161	-	-	707,800

See accompanying Notes to Condensed Financial Statements.

**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Condensed Statement of Stockholders' Deficiency**  
**For the Period from December 9, 2002 (Inception) to June 30, 2004**  
**(Unaudited)**

	Common Stock		Additional	Accumulated	Stock	
	Shares	Amount	Paid-In	Deficit During	Subscriptions	Total
			Capital	Development	Receivable	
				Stage		
Shares issued for loan (\$1.42 per share)	20,000	2	28,398	-	-	28,400
Shares issued for settlement (\$0.92 per share)	440,000	44	404,756	-	-	404,800
Shares issued for services (\$1.475 per share)	100,000	10	147,490	-	-	147,500
Shares issued for settlement (\$1.60 per share)	279,260	28	446,788	-	-	446,816
Effect of beneficial conversion of promissory notes at \$.75 per share	-	-	2,934,070	-	-	2,934,070
Recovery of subscription receivables	-	-	-	-	22,517	22,517
Net Loss for the six months Ended June 30, 2004				(17,620,238)		(17,620,238)
<b><u>BALANCE, JUNE 30, 2004</u></b> <b><u>(CONSOLIDATED)</u></b>	<u>98,844,009</u>	<u>\$ 9,884</u>	<u>\$ 17,390,612</u>	<u>\$ (20,497,334)</u>	<u>\$ -</u>	<u>\$ (3,096,858)</u>

See accompanying Notes to Condensed Financial Statements.

**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Condensed Statement of Cash Flow**  
**For the Period from December 9, 2002 (Inception) to June 30, 2004**  
**(Unaudited)**

	For the Six Months Ended June 30, 2004 (Consolidated)	For the Six Months Ended June 30, 2003	For the Period from December 9, 2002 (Inception) to June 30, 2004 (Consolidated)
<b>Cash Flows from Operating Activities:</b>			
Net loss	\$ (17,620,238)	\$ (65,852)	\$ (20,497,354)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	111,168	-	116,488
Common stock issued for services	2,728,750	-	7,863,916
Changes in operating assets and liabilities:			
Decrease (increase) in current assets:			
Other receivables	144,602	(6,314)	(3,712)
Deposits	(92,134)	-	(99,624)
Prepaid expense	(78,946)	-	(174,673)
Increase (decrease) in current liabilities:			
Accounts payable	560,915	159,912	1,144,994
Net Cash Provided by (Used in) Operating Activities	<u>(13,295,932)</u>	<u>87,746</u>	<u>(11,649,965)</u>
<b>Cash Flows from Investing Activities:</b>			
Purchase of property and equipment	<u>(414,150)</u>	<u>(171,239)</u>	<u>(582,232)</u>
Net Cash Used in Investing Activities	<u>(414,150)</u>	<u>(171,239)</u>	<u>(582,232)</u>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from stockholder	-	3,843	23,126
Repayments on shareholder loan	(4,940)	-	(23,126)
Proceeds from sale of common stock	10,730,803	75,000	8,939,330
Promissory note	2,992,034	-	3,354,534
Net Cash Provided by Financing Activities	<u>13,725,897</u>	<u>78,843</u>	<u>12,293,864</u>
NET INCREASE (DECREASE) IN CASH	15,815	(4,650)	61,667
CASH AT BEGINNING OF PERIOD	45,852	-	-
CASH AT END OF PERIOD	<u>\$ 61,667</u>	<u>\$ (4,650)</u>	<u>\$ 61,668</u>
<b><u>Supplemental Disclosure of Cash Flow Information:</u></b>			
Cash paid for interest	\$ <u>139,495</u>	\$ <u>-</u>	\$ <u>146,275</u>

**Supplemental Disclosure of Non-Cash Investing and Financing Activities:**

During 2003, the Company issued 235,600 shares of common stock with a fair value of \$300,000 for intangible signage rights.

During 2004, the Company converted \$297,250 from debt to equity.

See accompanying Notes to Condensed Financial Statements.

**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Notes to Condensed Financial Statements (Unaudited)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION**

**(A) Basis of Presentation**

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information necessary for a comprehensive presentation of financial position and results of operations.

It is management's opinion however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statements presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

**(B) Organization**

Infinium Labs, Inc. ("Infinium") a Delaware corporation located in Sarasota, Florida, is a development stage company, and as such has devoted most of its efforts since inception to developing its business plan, issuing common stock, raising capital and developing its products.

Infinium is positioned to be a leader in the pervasive gaming/interactive entertainment market by introducing marketing and selling the first combination game console and broadband gaming network, "Phantom Game Console" and "PhantomNet VPGN". The console and network allows consumers to search, preview, purchase and play a large selection of interactive entertainment (video games) online. Infinium's mission is to provide users with the ultimate gaming experience by developing a leading edge video game console and an online game service that provides on-demand access to an extensive selection of games and interactive entertainment via a broadband Internet connection.

**(C) Use of Estimates**

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Notes to Condensed Financial Statements (Unaudited)**

**(D) Research and Development Costs**

The Company's software products reach technological feasibility shortly before the products are released for manufacturing. Costs incurred after technological feasibility is established are not material, and accordingly, the Company expenses all research and development costs when incurred.

**(E) Loss per Share**

Basic and diluted net loss per common share is computed based upon the weighted average common shares outstanding as defined by statement of Financial Accounting Standards "SFAS" No. 128, "Earnings per Share." As of June 30, 2004, the effect of common share equivalents was anti-dilutive and not included in the calculation of diluted net loss per common share.

**(F) Business Segments**

The Company operates in one segment and therefore segment information is not presented.

**(G) Recent Accounting Pronouncements**

In January 2003, the Financial Accounting Standards Board ("FASB") issued Financial Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities, and Interpretation of ARB 51". FIN No. 46 provides guidance on the identification of entities of which control is achieved through means other than voting rights ("variable interest entities" or "VIE's") and how to determine when and which business enterprise should consolidate the VIE (the "Primary Beneficiary"). In addition, FIN No. 46 required that both the Primary Beneficiary and all other enterprises with a significant variable interest in a VIE make additional disclosures. The transitional disclosure requirements of FIN No. 46 are required in all financial statements initially issued after January 31, 2003, if certain conditions are met. The adoption of this pronouncement did not have a material effect on the Company's financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The changes in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. This statement is effective for contracts entered into or modified after June 30, 2003 and all of its provisions should be applied prospectively.

**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Notes to Condensed Financial Statements (Unaudited)**

In May 2003, the FASB issued SFAS No. 150, "Accounting For Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 changes the accounting for certain financial instruments with characteristics of both liabilities and equity that, under previous pronouncements, issuers could account for as equity. The new accounting guidance contained in SFAS No. 150 requires that those instruments be classified as liabilities in the balance sheet.

SFAS No. 150 affects the issuer's accounting for three types of freestanding financial instruments. One type is mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets. A second type includes put options and forward purchase contracts, which involve instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. The third type of instruments that are liabilities under this Statement is obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuer's shares. SFAS No. 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety.

Most of the provisions of SFAS No. 150 are consistent with the existing definition of liabilities of FASB Concepts Statement No. 6, "Elements of Financial Statements". The remaining provisions of this statement are consistent with the FASB's proposal to revise that definition to encompass certain obligations that a reporting entity can or must settle by issuing its own shares. This statement is effective for financial instruments entered into or modified after May 31, 2003 and otherwise shall be effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of these pronouncements did not have a material effect on the Company's financial position or results of operations.

**NOTE 2 REVERSE MERGER**

On January 5, 2004, Global Business Resources, Inc. consummated an agreement with Infinium Labs, Inc. a Delaware corporation, pursuant to which Infinium Labs, Inc. exchanged all of its then issued and outstanding shares of common stock for 807,800 (16,156,000 post-split) shares or approximately 81% of the common stock of Global Business Resources, Inc. As a result of the agreement, the transaction was treated for accounting purposes as a capital transaction and recapitalization by the accounting acquirer (Infinium Labs, Inc.) and as reorganization by the accounting acquiree (Global Business Resources, Inc.). Subsequent to the merger, Global Business Resources, Inc. changed its name to Infinium Labs, Inc.

**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Notes to Condensed Financial Statements (Unaudited)**

Accordingly, the financial statements include the following:

- (1) The balance sheet consists of the net assets of the acquirer at historical cost and the net assets of the acquiree at historical cost.
- (2) The statement of operations includes the operations of the acquirer for the periods presented and the operations of the acquiree from the date of the merger.

**NOTE 3 INTANGIBLE ASSETS**

During 2003, the Company entered into an agreement for the signage rights to a building located in Sarasota, Florida. The agreement called for the Company to issue (300,000 pre-reverse merger) shares of common stock in exchange for signage rights beginning April 1, 2004 through May 31, 2009. The shares were valued at the recent cash offering price aggregating \$300,000. The Company will amortize the cost over the life of the agreement. As of June 30, 2004, the Company has amortized \$14,516 of expense of the signage rights.

**NOTE 4 NOTES PAYABLE**

In February 2004, the Company authorized a private debt offering of secured 12% and 15% promissory notes with due dates one year from the date of issuance, within sixty days of the Company's SB-2 becoming effective or upon the Company receiving an equity investment of at least \$15,000,000. For each loan to the Company, the lender was also entitled to 20,000 shares of the Company's common stock. During the three months ended June 30, 2004, the Company issued an aggregate of \$2,400,000 promissory notes and issued 240,000 common shares. The shares were treated as a discount to the private offering, and the shares were valued at \$354,000 based on the market price on the dates the funds were received.

On February 27, 2004, we borrowed \$500,000 under a 12% secured subordinated debenture for a maximum term of 12 months. As additional consideration, we issued to the holder 80,000 shares of Common Stock. These transactions were exempt from registration under Section 4(2) of the Securities Act because they did not involve any public offering.

On April 7, 2004, the Company borrowed \$500,000 under a 15% promissory note which is payable on December 15, 2004.

On April 14, 2004, the Company borrowed \$100,000 under a 15% promissory note which was payable on April 14, 2005

On May 7, 2004, the Company borrowed under a 15% promissory note for \$100,000, which was subsequently repaid on June 7, 2004.

**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Notes to Condensed Financial Statements (Unaudited)**

On May 7, 2004, the Company borrowed \$250,000 under a 15% promissory note, which was payable on September 15, 2004.

On May 19, the Company borrowed \$1,167,260 under a 15% secured convertible debenture for a maximum term of one year.

On May 28, 2004, the Company borrowed \$350,000 under a 15% promissory note which was payable on August 2, 2004, which has been extended indefinitely.

On June 4, 2004, the Company borrowed \$825,000 under a 15% secured convertible promissory note, which was payable no later than June 3, 2005.

On June 21, 2004, the Company borrowed \$1,500,000 under a 15% promissory note, which was payable no later than June 22, 2005.

All of these transactions were exempt from the registration requirements of Section 4(2) of the Securities Act as transactions not involving a public offering.

In February 2004, the Company authorized a private debt offering of secured 12% and 15% promissory notes with due dates one year from the date of issuance, within sixty days of the Company's filing of an effective SB-2 Registration Statement with the Securities and Exchange Commission or upon the Company receiving an equity investment of at least \$15,000,000. For each loan to the Company, the lender was also entitled to 20,000 shares of the Company's common stock. During the six months ended June 30, 2004, the Company issued an aggregate of \$7,192,260 promissory notes and issued 3,340,499 common shares. The shares were treated as a discount to the private offering, and the shares were valued at \$4,722,402 based on the market price on the dates the funds were received.

Accordingly, \$2,160,288 is deemed to have been received for the promissory notes. The discount from the face value of the promissory notes is being amortized over the life of the promissory notes as additional interest expense. The company also recorded \$2,934,070 of interest expense from the deemed beneficial conversion of \$2,942,260 of its promissory notes. During the three months ended June 30, 2004, the Company recognized interest expense of \$4,017,874. The gross and net balance of the promissory notes as of June 30, 2004 is \$7,192,260 and \$3,057,284 respectively and is included in notes payable – current.



**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Notes to Condensed Financial Statements (Unaudited)**

**NOTE 5 STOCKHOLDERS' DEFICIENCY**

**(A) Stock Issued for Cash**

During 2002, the Company issued 58,189,728 shares of common stock to its founder for \$18,522 (\$0.0004 per share).

During 2003, the Company issued 4,423,012 shares of common stock for cash of \$556,455 (\$0.125 per share).

During 2003, the Company issued 2,169,148 shares of common stock for \$611,888 (\$0.28 per share), net of offering costs of \$11,239.

During 2004, the Company issued 6,650,000 shares of common stock for \$1,662,500 (\$0.25 per share).

**(B) Stock Issued for Services**

During 2002, the Company issued 2,957,376 shares of common stock for software development services valued for financial accounting purposes at \$1,113,005 (\$0.3775 per share) based upon recent cash offering prices.

During 2003, the Company issued 434,036 shares of common stock for software development services valued for financial accounting purposes at \$138,140 (\$0.3175 per share) based upon recent cash offering prices.

During 2003, the Company issued 942,600 shares of common stock for signature rights valued for financial accounting purposes at \$300,000 (\$0.3175 per share) based upon recent cash offering prices.

On March 30, 2004, we issued 66,668 shares of Common Stock to a single claimant as consideration for the settlement of a lawsuit. This transaction was exempt from registration under Section 4(2) of the Securities Act because it did not involve any public offering.

On March 30, 2004, we issued 1,750,000 shares of Common Stock to six service providers in exchange for services. These transactions were exempt from registration under Section 4(2) of the Securities Act because they did not involve any public offering.

During 2004, the Company issued 1,750,000 shares of common stock for software development and consulting services with a fair value of \$2,581,250 (\$1.475 per share).

**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Notes to Condensed Financial Statements (Unaudited)**

On May 24, 2004, the Company issued 279,260 shares of our common stock for services valued for financial accounting purposes at \$1.60 per share.

On May 25, 2004, the Company issued 600,000 shares of our restricted common stock for services valued for financial accounting purposes at \$1.44 per share.

On May 25, 2004, the Company issued 30,000 shares of our restricted common stock for services valued for financial accounting purposes at \$1.44 per share.

On May 25, 2004, the Company issued 200,000 shares of our restricted common stock for services valued for financial reporting purposes at \$1.44 per share.

On June 4, 2004, the Company issued 20,000 shares of our restricted common stock valued for financial accounting purposes at \$1.42 per share, in settlement of litigation. This transaction was exempt from registration under section 4(2) of the Securities Act because it did not offer any public offering.

On June 18, 2004, the Company issued 440,000 shares of our restricted common stock valued for financial accounting purposes at \$.92 per share in settlement of litigation.

On June 30, 2004, the Company issued 100,000 shares of our restricted common stock for services valued for financial accounting purposes at \$1.475 per share.

All of these transactions were exempt from registration requirements of Section 4(2) of the Securities Act as transactions not involving a public offering.

**(C) Stock Issued for Legal Settlement**

During February 2004, the Company issued 66,668 shares of common stock with a fair value of \$98,335 (\$1.475 per share) in settlement of a lawsuit. The Company subsequently issued 33,332 shares in final settlement of this lawsuit.

**(D) Stock Issued with Notes Payable**

During February 2004, the Company issued 240,000 shares of common stock with a fair value of \$354,000 (\$1.475 per share).

As additional consideration for promissory notes payable of \$1,167,260 dated May 19, 2004, we issued 2,028,850 shares of our restricted common stock, valued at \$3.205, 807 for financial reporting purposes.

**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Notes to Condensed Financial Statements (Unaudited)**

As additional consideration for a \$100,000 note dated May 7, 2004, we issued 40,000 shares of our common stock. valued at \$1.38 per share for financial reporting purposes.

As additional consideration for a promissory note of \$500,000, we issued 200,000 shares of our restricted common stock valued at \$1.42 per share for financial reporting purposes.

As additional consideration for a promissory note of \$250,000, we issued 100,000 shares of our restricted common stock valued at \$1.475 per share for financial reporting purposes.

As additional consideration for a \$100,000 promissory note dated April 14, 2004, we issued 40,000 shares of our restricted common stock valued at \$1.538 per share.

As additional consideration for a \$350,000 promissory note dated May 28, 2004, we issued 33,000 shares of our restricted common stock valued at \$1.42 per share for financial reporting purposes.

As additional consideration for an \$825,000 promissory note dated June 4, 2004, we issued 511,000 shares of our restricted common stock valued for financial reporting purposes at \$1.475 per share. We subsequently issued 74,999 shares valued at \$1.475 per share for financial reporting purposes as a penalty for our failure to file a timely registration statement under the terms of agreement.

As additional consideration for a \$1,500,000 promissory note dated June 21, 2004, we issued 135,000 shares of our restricted common stock valued at \$1.13 per share for financial reporting purposes.

**(E) Stock Dividend**

During January 2004, the Company declared a 4 for 1 common stock dividend effected to stockholders of record on January 19, 2004. Per share and weighted average share amounts have been retroactively restated in the accompanying financial statements and related notes to reflect this dividend.

**(F) Stock Issued in Reverse Merger**

On January 5, 2004, the Company issued 16,156,000 (807,800 pre-split) shares of common stock for all the outstanding shares of Global Business Resources.

**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Notes to Condensed Financial Statements (Unaudited)**

**NOTE 6 COMMITMENTS AND CONTINGENCIES**

**(A) Litigation**

As of June 30, 2004, the Company is not a party to any litigation other than litigation arising in the ordinary course of its business, which is not expected to have a material adverse effect on its financial condition or results of operations and has not accrued any amounts relating to any litigation.

**(B) Employment Agreements**

On January 3, 2004, the Company entered into an employment agreement with its Executive Vice President of Channel Sales for a period of three years unless the Company or the employee agrees to terminate the agreement within three months prior to the anniversary date. The agreement provides for an initial minimum annual salary of \$125,000, which increased to \$175,000 upon June 1, 2004.

**NOTE 7 GOING CONCERN**

As reflected in the accompanying financial statements, the Company is in the development stage with no sales and has a working capital deficiency of \$3,962,226. This raises substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management believes that actions presently being taken to obtain additional funding and implement its strategic plans provide the opportunity for the Company to continue as a going concern.

**NOTE 8 SUBSEQUENT EVENTS**

**(A) Notes Payable to a Related Party**

Subsequent to June 30, 2004, the Company borrowed an aggregate of \$500,000 in notes payable to a member of its board of directors with an interest rate of 15%, due in installments over the next five years. As additional consideration, we issued the director 800,000 shares of our restricted common stock.

The company also borrowed \$250,000 in advances payable due August 30, 2004.

**INFINIUM LABS, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Notes to Condensed Financial Statements (Unaudited)**

**(B) Common Stock Issuances**

In July 2004, the Company issued 185,466 shares for \$139,000 cash (\$ .75 per share).

In August, 2004, the Company issued 300,000 shares for \$150,000 cash (\$ .50 per share).

In August, 2004, the Company issued 700,000 shares for services (\$ .75 per share).

In August, 2004, the Company issued 71,428 shares for services.

All of these transactions were exempt from the registration requirements of Section 4(2) of the Securities Act as transactions not involving a public offering.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Forward Looking Statements**

Certain information included in this Form 10-QSB contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements represent the Company's expectations or beliefs, including, but not limited to, statements concerning its plans, strategies, operations and objectives. For this purpose, any statements contained in this Form 10-QSB that are not statements of historical fact may be deemed to be forward-looking statements.

Words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate" or "continue" or similar words are intended to identify forward-looking statements, although not all forward-looking statements are identified by those words.

Forward-looking statements by their nature involve substantial risks and uncertainties, certain of which are beyond the Company's control. Actual results may differ materially depending on a variety of important factors such as those described in the Company's Form 8-K filed with the Securities and Exchange Commission on January 20, 2004. All forward-looking statements speak only as of the date of this Form 10-QSB. The Company has not undertaken to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

### **The Merger**

On January 5, 2004, the Company's wholly owned subsidiary merged with and into Infinium Labs Operating Corporation, with Infinium Labs Operating Corporation surviving as its wholly owned subsidiary. Infinium Labs Operating Corporation was incorporated in the State of Delaware on December 9, 2002 for the purpose of developing a videogame service and system. In connection with the merger and related transactions, the Company changed its name from Global Business Resources, Inc. to Infinium Labs, Inc. Infinium Labs Operating Corporation's stockholders acquired 82.35% of the Company's outstanding common stock and its directors and officers became the Company's directors and officers.

Since the completion of the merger, the Company's business has consisted of the business and operations of Infinium Labs Operating Corporation. When used in this Form 10-QSB, references to Phantom and Infinium Labs are references to its trademarks or service marks with respect to which the Company has filed applications for registration with the U.S. Patent and Trademark Office.

### **Overview**

Infinium Labs, Inc. (OTC BB IFLB) is launching an innovative gaming service to completely revolutionize the way the \$20 billion gaming industry does business. The Phantom Gaming System and the Phantom Gaming Service has the potential to attract a much broader audience of consumers than competitors - Playstation 2, the Xbox and GameCube. The Phantom's competitive advantage is that it enables subscribers to access thousands of PC games from the convenience of their homes without having to go to a retail store to purchase or rent game software.

The Phantom provides the ultimate gaming experience by offering the first on-demand game distribution service. Designed for the whole family, from the avid gamer to the casual player, the service offers subscribers a library of titles, from the top new games to the old standards that people want to play again and again - and makes them available any time, day or night, from the comfort of your home via broadband Internet connection. It is easy to use, convenient and personalized to individual game players.

The Phantom takes advantage of the current inefficiencies in the video gaming market which stems from two things:

1) hardware limitations imposed by the proprietary systems of the three largest game platform manufacturers - Sony, Microsoft and Nintendo - which results in significant costs to publishers and game developers 2) limited retail shelf space as most games are distributed in boxed format... forces most popular retailers to stock only the top 200 selling games in select genres...causes a search for alternative distribution systems by publishers and developers

The Phantom is a uniform gaming platform that allows game developers to create games for safe distribution through a broadband network. This system benefits these developers through allowing them to create games which are not required to be unique to a single game platform. Therefore, they will have a more versatile outlet for their games than the retail channels that currently exist, while the risk of piracy is reduced. Over time, this will enable game developers to be more willing to invest in developing sophisticated games as there may be a greater certainty of generating a return on their investment. The Phantom will then benefit customers through the convenience in providing greater variety in the video games readily accessible. Consumers will be able to preview games before they buy them. Gone are the days when consumers can only have access to the current "hot" games and no longer will they be subjected to the "no return if opened" retail policies imposed to combat piracy.

## **Business Objectives**

Infinium Labs, Inc. is currently in the development stage of operations and expects to be in that mode for a least the next four months. Our goal is to commence selling the system and service in the fourth quarter of 2004 and to ramp up each successive month. Our primary mission is to revolutionize the video game industry with an innovative combination of gaming hardware, software and secure online digital distribution. Infinium Labs, Inc. has moved quickly to develop, manufacture, market and sell its Phantom Gaming Service and Phantom Game System:

- \* Our third generation product prototype of the Phantom Game Receiver was completed and previewed at the Electronic Entertainment Expo (E3) in Los Angeles, May 12-14, 2004.
- \* We are in the process of signing distribution agreements with a large number of PC game publishers to establish a critical mass of games available for our service launch.
- \* We have created basic and extended packages of games to be aligned with various subscription levels on our service.

- \* We have developed co-marketing arrangements and arranged for floor space in retailers' for customers to demo our receiver and subscribe to our service.
- \* We have filed multiple utility and design patent applications to protect our receiver, laptop keyboard, mouse and mousepad, gamepad, game streaming service, content distribution and user interface.
- \* We have selected an outsource contract partner - Taiwan based BIOSTAR - to manufacture and ship the Phantom Game Receiver. We are proceeding with volume manufacturing to deliver consumer units in time for the 2004 holiday season.

## **PLAN OF OPERATION**

We are currently finalizing arrangements with game developers while simultaneously working to enhance the availability of IT support to our future customers. Following completion of these steps, Infinium Labs, Inc. will be focused on establishing sales distribution with retailers and perfecting marketing efforts to make our product and service known to the public.

Studies by the highly regarded "Penn, Schoen & Berland Associates, Inc." (PSB) and "The Yankee Group" conducted in April 2004 indicate that there is a large demand amongst gamers of all ages for the system and service Infinium Labs, Inc. is providing. According to PSB, "9 in 10 deemed The Phantom unique and different, and nearly three fourths of broad gamers believe the market is ready for this system..."

## **Cash Requirements**

The Company estimates based on its current business strategy that the Company will have operating cash requirements over the next twelve months of approximately \$68,846,000 as follows:

Operating expenses, including employee salaries and benefits, office expenses, rent expense, legal and accounting, publicity, investor relations, net of payables	\$12,576,000
Research and product development	8,583,000
Marketing	15,098,000
Production Costs	31,319,060
Capital Expenditures	1,270,000
<b>Total Estimated Cash Requirements</b>	<b>\$68,846,000</b>

The Company's estimate of operating expenses represents the expenditures it anticipates incurring in the operation of the business. The Company plans to sell \$34,971,000 in product during the next 12-month period. The Company's estimated operating expenses include \$10,554,000 of employee salaries and corresponding benefits. The Company currently employs 65 full-time individuals and anticipates adding approximately 71 full-time individuals to its employee base through in the next twelve months; leveling off at approximately 136 full time employees.



The Company estimates that its research and development plan will require approximately \$8,583,000 of its funds over the next 12 months, dedicated to the following activities:

Hardware Development and Design Costs	\$611,000
Production Line Start Up Costs	875,000
Personnel	4,342,000
Other (including contractual services and indirect costs)	2,755,000
Total	\$8,583,000

The Company currently employs 50 full-time individuals for product development and operations and plans to increase that number to approximately 59 over the next twelve months.

The Company will seek to increase consumer demand for its system and service through a number of significant marketing programs, ranging from traditional paid advertising to sponsorships and publicity. To that end, the Company has entered into a marketing agreement to assist with the marketing of and placement of sponsorships for the Phantom Gaming Service. The Company anticipates entering into additional agreements with a leading advertising agency and public relations firm. The Company recently had a significant presence and was a finalist for best in show at the 2004 Electronic Entertainment Expo, held from May 12 through May 14, 2004, in the Los Angeles Convention Center. This event is the preeminent annual sales conference for the videogame industry, and the Company showcased its system and service to the industry at large during this event. The Company estimates that its plan will cost approximately \$15,098,000 over the next 12 months, dedicated to the following activities:

Advertising	\$8,801,000
Personnel	1,232,000
Promotions and Marketing	3,757,000
Other	1,308,000
Total	\$15,098,000

The Company's current strategic plan does not indicate a need for material capital expenditures in the conduct of marketing or distribution activities but will require an increase in the number of employees dedicated to marketing and distribution. The Company currently employs 4 full-time individuals for marketing, distribution and content acquisition and plans to increase that number to approximately 20 over the next twelve months.

### **Sources of Capital**

As August 20, 2004, the Company had cash on hand of \$134,226, which represents the remaining proceeds from the sale of common stock during 2004 for aggregate proceeds of \$2,797,000 and from bridge financing transactions completed during 2004 in an aggregate amount of \$7,829,760.

The Company estimates that a combination of equity financing from the sale of its common stock pursuant to a private placement, working capital financing to be obtained upon successful introduction of our product into the market place, additional bridge financing, and projected revenues from the sales of its system and service will be sufficient to satisfy the Company's cash requirements over the next 12 months. If the Company does not raise the amounts contemplated hereon or the Company does not launch its system and service when currently planned, the Company will need to raise additional capital from other sources or curtail its proposed spending.

The Company also intends to pursue negotiations with its bridge lenders to cover their notes to equity to reduce each outlays for the debt service.

As reflected in the accompanying financial statements, the Company is in the development stage with no sales, a working capital deficiency of \$3,962,226. This raises substantial doubt about its liability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management believes that actions presently being taken to obtain additional funding and implement its strategic plans provide the opportunity for the Company to continue as a going concern.

### **ITEM 3. Controls and Procedures**

Based on their evaluation at June 30, 2004, the Company's principal executive officer and principal financial officer, with the participation and assistance of its management, concluded that its disclosure controls and procedures as defined in Rules 13a-15(e) promulgated under the Securities Exchange Act of 1934, were effective in design and operation. There have been no changes in the Company's internal controls over financial reporting that occurred during the quarter ended June 30, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings:**

Not applicable.

### **Item 2. Changes in Securities and Small Business Issuer Purchase of Equity Securities:**

On January 5, 2004, the Company issued 75,399,220 shares of Common Stock as merger consideration to the former stockholders of Infinium Labs Operating Corporation. These shares were issued in a transaction exempt from the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Rule 506 of Regulation D promulgated thereunder based on the following facts (the "Rule 506 Conditions"):

- (i) the securities were sold only to accredited investors;
- (ii) the securities were not offered by any form of general solicitation or general advertising;
- (iii) each investor had represented that such investor was acquiring the securities for such investor's own account for investment; and
- (iv) the securities were issued with restrictive legends.

On January 7, 2004, we issued 2,290,000 shares of Common Stock to eight investors in a private placement for consideration of \$0.25 per share. These shares were issued in a transaction exempt from the Securities Act pursuant to Rule 506 of Regulation D promulgated thereunder based on the fact that they were issued in compliance with the Rule 506 Conditions.

Also on January 7, 2004, our Board of Directors declared a stock dividend of 4 shares of Common Stock for each share of Common Stock outstanding on January 19, 2004 (the "Record Date"). The stock dividend was payable on the Record Date to holders of record of Common Stock as of the Record Date.

On January 22, 2004, we issued 4,360,000 shares of Common Stock to 32 investors in a private placement for consideration of \$0.25 per share. These shares were issued in a transaction exempt from the Securities Act pursuant to Rule 506 of Regulation D promulgated thereunder based on the fact that they were issued in compliance with the Rule 506 Conditions.

On February 12, 2004, we borrowed \$1.4 million under a 15% secured debenture for a maximum term of 12 months. As additional consideration, we issued to the holder 80,000 shares of Common Stock. These transactions were exempt from registration under Section 4(2) of the Securities Act because they did not involve any public offering.

On February 23, 2004, we borrowed \$1.0 million under a 12% secured subordinated debenture for a maximum term of 12 months. As additional consideration, we issued to the holder 80,000 shares of Common Stock. These transactions were exempt from registration under Section 4(2) of the Securities Act because they did not involve any public offering.

On February 27, 2004, we borrowed \$500,000 under a 12% secured subordinated debenture for a maximum term of 12 months. As additional consideration, we issued to the holder 80,000 shares of Common Stock. These transactions were exempt from registration under Section 4(2) of the Securities Act because they did not involve any public offering.

On March 30, 2004, we issued 66,668 shares of Common Stock to a single claimant as consideration for the settlement of a lawsuit. This transaction was exempt from registration under Section 4(2) of the Securities Act because it did not involve any public offering. We subsequently issued 33,332 in final settlement of this lawsuit.

On March 30, 2004, we issued 1,750,000 shares of Common Stock to six service providers in exchange for services. These transactions were exempt from registration under Section 4(2) of the Securities Act because they did not involve any public offering.

On April 7, 2004, the Company borrowed \$500,000 under a 15% promissory note which is payable on December 15, 2004. As additional consideration, we issued 200,000 shares of our restricted common stock. These transactions were exempt from section 4(2) of the Securities Act.

On April 14, 2004, the Company borrowed \$100,000 under a 15% promissory note, which was payable on April 14, 2005. As additional consideration, we issued 40,000 shares of our restricted common stock valued at \$1.43 per share. These transactions were exempt from registration under section 4(2) of the Securities Act because they did not involve any public offering.

On May 7, 2004, the Company borrowed \$100,000 under a 15% promissory note, which was payable and subsequently repaid on June 7, 2004. As additional consideration, we issued 40,000 shares of our common stock valued at 1.38 per share. These transactions were exempt from registration under section 4(2) of the Securities Act because they did not involve any public offering.

On May 7, 2004, the Company borrowed \$250,000 under a 15% promissory note, which is payable on September 15, 2004. As additional consideration, we issued 100,000 shares of our restricted common stock valued at \$1.475 per share. These transactions were exempt from registration under section 4(2) of the Securities Act because they did not involve any public offering.

On May 19, 2004, the Company borrowed \$1,167,260 under a 15% secured convertible debenture for a maximum term of one year valued at \$1.47 per share for financial reporting purposes. As additional consideration, we issued 2,028,850 shares of our restricted common stock. These transactions were exempt from registration under section 4(2) of the Securities Act because they did not involve any public offering.

On May 24, 2004, the Company issued 279,260 shares of our common stock for services valued at \$1.60 per share for financial reporting purposes. These transactions were exempt from registration under Section 4(2) of the Securities Act because they did not involve any public offering.

On May 25, 2004, the Company issued 600,000 shares of our restricted common stock for services valued at \$1.44 per share for financial reporting purposes. This transaction was exempt from registration under section 4(2) of the Securities Act because it did not involve any public offering.

On May 25, 2004, the Company issued 200,000 shares for services at \$1.44 per share for financial reporting purposes. This transaction was exempt from registration under section 4(2) of the Securities Act because it did not involve any public offering.

On May 25, 2004, the Company issued 30,000 shares of our restricted common stock for services valued at \$1.44 per share for financial reporting purposes. This transaction was exempt from registration under section 4(2) of the Securities Act because it did not involve any public offering.

On May 28, 2004, the Company borrowed \$350,000 under a 15% promissory note, which was payable on August 2, 2004. As additional consideration, we issued 33,000 shares of our restricted common stock for financial reporting purposes. These transactions were exempt from registration under section 4(2) of the Securities Act because they did not involve any public offering.

On June 4, 2004, the Company borrowed \$825,000 under a 15% secured convertible promissory note, which was payable no later than June 3, 2005. As additional consideration, we issued 511,000 shares of our restricted common stock valued at \$1.42 per share. We subsequently issued 74,999 shares valued at \$1.475 per share as a penalty for our failure to profile a timely registration statement under the terms of our agreement. These transactions were exempt from registration under section 4(2) of the Securities Act because they did not involve any public offering.

On June 4, 2004, the Company issued 20,000 shares of our restricted common stock valued at \$1.42 per share, in settlement of litigation. This transaction was exempt from registration under section 4(2) of the Securities Act because it did not involve any public offering.

On June 18, 2004, the Company issued 440,000 shares of our restricted common stock valued at \$.92 per share in settlement of litigation. This transaction was exempt from registration under section 4(2) of the Securities Act because it did not involve any public offering.

On June 21, 2004, the Company borrowed \$1,500,000 under a 15% promissory note, which was payable no later than June 22, 2004. As additional consideration, we issued 135,000 shares of our restricted common stock valued at \$1.13 per share. These transactions were exempt from registration under section 4(2) of the Securities Act because they did not involve any public offering.

On June 30, 2004, the Company issued 100,000 shares of our restricted common stock for services valued at \$1.475 per share. This transaction was exempt from registration under section 4(2) of the Securities Act because it did not involve any public offering.

.Subsequent to June 30, 2004, the Company issued an aggregate of \$500,000 in notes payable to a member of board of directors with an interest rate of 15%, due in installments over the next five years.

As additional consideration, we issued the director 800,000 shares of our restricted common stock. The company also issued \$250,000 in short-term advances payable due August 30, 2004.

In July, 2004, the Company issued 185,466 for \$139,000 cash (\$ .75 per share). This transaction was exempt from registration under Section 4(2) of the Securities Act because it did not involve a public offering.

In August, 2004, the Company issued 300,000 share for \$150,000 cash (\$ .50 per share). This transaction was exempt from registration under Section 4(2) of the Securities Act because it did not involve a public offering.

In August, 2004, the Company issued 700,000 shares for services (\$ .75 per share). This transaction was exempt from registration under Section 4(2) of the Securities Act because it did not involve a public offering.

**Item 3. Defaults upon Senior Securities:**

None

**Item 4. Submission of Matters to a Vote of Security Holders:**

By written consent dated March 15, 2004, stockholders owning more than a majority of the issued and outstanding shares of common stock of the Company authorized and approved a Certificate of Amendment to our Certificate of Incorporation without a meeting. The Certificate of Amendment was filed on May 5, 2004 and: (1) increased the number of shares of common stock we are authorized to issue from 50,000,000 shares to 200,000,000 shares, and (2) effected a four-for-one stock split of our outstanding common stock.

**Item 5. Other Information:**

None

## Item 6. Exhibits and Reports on Form 8-K:

### (a) Exhibits:

Exhibit No.	Exhibit Description	Location
2-1	Agreement and Plan of Merger dated as of December 24, 2003 by and among Global Business Resources, Inc., Global Infinium Merger Sub, Inc., Infinium Labs Corporation and Peter J. Goldstein	Incorporated by Reference to Exhibit 2-1 to Form 8-K filed with the SEC on January 20, 2004
3-1	Certificate of Incorporation	Incorporated by Reference to Exhibit 3-0 to Form SB-2 (Registration No. 333-67990) filed with the SEC on August 20, 2001
3-2	Certificate of Amendment of Certificate of Incorporation	Incorporated by reference to Exhibit 3-2 to the Company's Form 10-KSB for the year ended December 31, 2003 (the "Form 10-KSB")
3-3	Certificate of Amendment of Certificate of Incorporation	Incorporated by reference to Exhibit 3-4 to the Form 10-KSB
3-4	By-laws	Incorporated by reference to Exhibit 3-4 to the Form 10-KSB
4-1	Stock Purchase Agreement dated as of January 22, 2004 between Infinium Labs, Inc. and SBI Brightline VI, LLC	Incorporated by reference to Exhibit 4-1 to Form 8-K filed with the SEC on January 26, 2004
4-2	Stock Purchase Agreement dated as of January 22, 2004 between Infinium Labs, Inc. and Infinium Investment Partners, LLC	Incorporated by reference to Exhibit 4-2 to Form 8-K filed with the SEC on January 26, 2004
4-3	Form of Subscription Agreement between Infinium Labs, Inc. and certain stockholders of Infinium Labs, Inc.	Incorporated by reference to Exhibit 4-3 to the Form 10-KSB
10-1	15% Secured Debenture between the Company and Ronald Westman, dated April 7, 2004	Filed herewithin
10-2	Amended and restored convertible secured promissory note dated, June 16, 2004, between the Company and Phantom Investors, LLC	Filed herewithin
10-3	15% Secured Subordinated Debenture between the Company and James Beshara, dated May 7, 2004	Filed herewithin
10-4	15% Secured Debenture between the Company and James Beshara, dated February 12, 2004	Filed herewithin
10-5	Promissory Note between the Company and Sharon M. Beshara, dated May 18, 2004	Filed herewithin
10-6	Pledge Agreement between Robert F. Shambo in favor of Phoenix Capital Opportunity fund, dated May 12, 2004	Filed herewithin
10-7	Commercial Promissory Note between the Company and Video Associates, LLC, dated June 2004	Filed herewithin
10-8	12% Secured Subordinated Debenture between the Company and Gary Kurfirst, dated February 23, 2004	Filed herewithin
10-9	15% Secured Subordinated Debenture between the Company and SBI USA, LLC, dated May 28, 2004	Filed herewithin
10-10	15% Secured Debenture between the Company and Ronald Westman, dated May 7, 2004	Filed herewithin
10-11	12% Secured Subordinated Debenture between the Company and Contare Ventures, LLC, dated February 23, 2004	Filed herewithin
10-12	Employee Stock Ownership	Filed herewithin

31-1	Rule 13a-14(a) Certification of Chief Executive Officer	Filed herewith
31-2	Rule 13a-14(a) Certification of Acting Chief Financial Officer	Filed herewith
32-1	Section 1350 Certification	Filed herewith

(b) Reports on Form 8-K:

Current Report on Form 8-K on January 20, 2004 regarding the change in control of the Company as a result of the Merger.

Current Report on Form 8-K on January 22, 2004 regarding Stock Purchase Agreement with each of SBI Brightline VI, LLC and Infinium Investment Partners, LLC.

Current Report on Form 8-K on March 22, 2004 amending Current Report on Form 8-K dated January 5, 2004, filed on January 20, 2004, to amend Item 7 to include the financial statements of the business acquired and the pro forma financial information required by Item 7 of Form 8-K.



## **SIGNATURES**

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 23, 2004

INFINIUM LABS, INC.

/s/ Timothy M. Roberts

By:\_\_\_\_\_

Timothy M. Roberts, Chairman and Chief Executive Officer

/s/ Matthew A. Veal

By:\_\_\_\_\_

Matthew A. Veal, Acting Chief Financial Officer

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY

**INFINIUM LABS, INC.**

**15% SECURED DEBENTURE**

\$250,000

Sarasota, Florida  
May 7, 2004

**FOR VALUE RECEIVED**, the undersigned, INFINIUM LABS, INC., a Delaware corporation (the "Company"), having a principal place of business located at 2033 Main Street, Suite 309, Sarasota, Florida 34237, hereby promises to pay to Ronald Westman ("Holder"), having an office for doing business at 2033 Main Street, Sarasota, Florida, 34237, the principal amount of Two Hundred Fifty Thousand Dollars (\$250,000) with interest thereon, in lawful money of the United States, on the terms set forth in Section 1 of this Debenture (the "Debenture"). As additional consideration, the Holder shall also receive 25,000 shares of Infinium Labs Stock with "piggyback" rights of registration upon the filing and acceptance of a formal registration statement with the Securities and Exchange Commission. Until such time, the shares shall be restricted and bear the following restrictive legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR ANY OTHER APPLICABLE LAW (THE "LAW") AND MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF EXCEPT IN COMPLIANCE WITH THE REQUIREMENTS OF THE ACT OR LAW OR PURSUANT TO AN EXEMPTION THEREFROM AND UNTIL THE CORPORATION SHALL HAVE RECEIVED THE WRITTEN OPINION OF COUNSEL TO THE CORPORATION TO THAT EFFECT."

1. Payments of Interest and Principal.

(a) The outstanding principal balance of this Debenture along with accrued interest as provided for herein shall be due and payable on September 15, 2004.

(b) From the date hereof through the Maturity Date, interest on the unpaid principal balance hereof outstanding from time to time shall bear interest at the rate of fifteen percent (15%) per annum.

(c) If the Company should fail to pay any installment of principal or interest, or other amounts payable pursuant to this Debenture, within ten (10) days when due, including when due as a result of acceleration or if Holder should for any reason be required to pay over any amount collected on this Debenture to another creditor of the Company, the Company shall pay additional interest on all such defaulted amounts at the lesser of the then applicable interest rate plus two percent (2%) per annum or the maximum rate permitted by law from the date of default to the date of payment. Amounts payable under this Section shall be payable on demand.

(d) All amounts payable hereunder shall be made by the Company by wire transfer or by any other method approved in advance by Holder at the place designated by Holder in writing to the Company in immediately available and freely transferable funds at such place of payment.

2. Security Interest. The Company grants to Holder and each other holder of Debentures in this Issue a present security interest in all of the Company's assets to secure the Company's debts, liabilities and obligations under the Issue of Debentures. The Company shall execute and deliver to the Holder and each other holder of Debentures in this Issue a Security Agreement in a commercially reasonable form requested by the Holder and such other holders and such financing statements and other papers as may be necessary or appropriate to establish and maintain a valid security interest in the Company's assets. The Company shall pay all costs of any filings of financing statements or other papers.

3. This Section Intentionally Deleted

4. Covenants. The Company covenants and agrees that so long as the Debenture is outstanding and until all principal and accrued interest and other amounts due hereunder have been paid in full, unless otherwise consented to by the Holder in writing:

(a) The Company shall not take any action to dissolve and shall not sell any significant asset or assets (whether in one or more transactions) for less than fair and valuable consideration;

(b) The Company shall not be a party to a merger or consolidation in which the Company is not the surviving entity, other than mergers or similar transactions accomplished solely to change the Company's form or jurisdiction of organization.

(c) The Company shall not divest, sell, assign, convey or dispose of any assets of the Company outside the ordinary course of business other than for fair and valuable consideration.

(d) Within sixty (60) days after the end of each fiscal quarter, the Company shall furnish to the Holder audited quarterly financial statements for the Company and its subsidiaries consisting of consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows, prepared in accordance with generally accepted accounting principles in the United States, consistently applied.

#### 5. Default and Remedies.

(a) The following events shall constitute events of default (any of which is referred to as an "Event of Default") under this Debenture:

(i) The Company fails to make any payment of interest, principal or any other amounts, when due under this Debenture for thirty (30) days after the payment is due to the Holder;

(ii) The Company fails to perform any term, covenant or agreement contained in this Debenture or the Security Agreement and such failure is not cured within thirty (30) days after receipt by the Company of notice of such failure;

(iii) The Company fails to make any payment of any principal or interest on any other indebtedness, not in dispute, equal to or exceeding \$30,000 (including, but not limited to, Senior Indebtedness) which results in the acceleration of the maturity of such indebtedness;

(iv) The Company shall commence a voluntary case concerning itself under the Bankruptcy Code in Title 11 of the United States Code (as amended, modified, succeeded or replaced, from time to time, the "Bankruptcy Code"); or an involuntary case is commenced against the Company under the Bankruptcy Code and the petition is not dismissed within ninety (90) days after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of all or substantially all of the

property of the Company; or the Company commences any other proceeding under any reorganization, arrangement, adjustment of the debt, relief of creditors, dissolution, insolvency or similar law of any jurisdiction whether now or hereafter in effect relating to the Company; or there is commenced against the Company any such proceeding which remains undismissed for a period of ninety (90) days; or the Company is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company suffers appointment of any custodian or the like for it or for any substantial part of its property to continue unchanged or unstayed for a period of ninety (90) days; or the Company makes a general assignment for the benefit of creditors; or any corporate action is taken by the Company for the purpose of effecting any of the foregoing; or

(v) One or more judgments shall be entered against the Company involving a liability of One Hundred Thousand Dollars (\$100,000) or more in the aggregate for all such judgments for the Company collectively and any such judgments shall not have been vacated, discharged or stayed or bonded pending appeal within sixty (60) days from the entry thereof.

(b) Upon the occurrence of any Event of Default, and at any time thereafter, the Holder may take any of the following actions without prejudice to the rights of the Holder to enforce its claims against the Company except as otherwise specifically provided for herein:

(i) declare the unpaid principal and any accrued and unpaid interest in respect of this Debenture to be due, whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company;

(ii) reduce any claim to judgment;

(iii) without notice of default or demand, pursue and enforce any of the Holder's rights and remedies under this Debenture, or otherwise provided under or pursuant to any applicable law or agreement, including without limitation all rights and remedies available to Holder as a secured party under the Security Agreement and under the Uniform Commercial Code as enacted in the State of Delaware.

(c) If any amount, whether principal, interest or other payment, on this Debenture is not paid when due, the Company shall pay all fees and costs of collection, including, but not limited to, reasonable attorneys fees incurred by the Holder, whether or not suit is filed hereon. The rights and remedies of the Holder as provided in this Debenture shall be cumulative and may be pursued singly, successively, or together.

6. Maximum Interest. All agreements between the Company and the Holder are expressly limited so that in no contingency or event shall the amount paid or agreed to be paid to the Holder for the use, forbearance or detention of the money to be loaned hereunder exceed the maximum amount permissible under the applicable federal and state usury laws. It is therefore the intention of the Company and the Holder to conform strictly to state and federal usury laws applicable to this loan and to limit the interest paid on this Debenture to the amount herein stated or the highest rate of interest according to law, whichever is the lesser. Therefore, in this Debenture or in any of the documents relating hereto, the aggregate of all interest or any other charges constituting interest under the applicable law contracted for, chargeable, or receivable under this Debenture or otherwise in connection with this Debenture shall under no circumstances exceed the maximum amount of interest permitted by law. If any excess of interest in such respect is provided for or shall be adjudicated to be so provided for in this Debenture or in any of the documents securing payment hereof or otherwise relating hereto, then in such event:

(a) The provisions of this Section 6 shall govern and control;

(b) Neither the Company, its successors or assigns nor any other party liable for the payment hereof shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum permitted by law;

(c) Any excess of said interest shall be deemed a mistake and is hereby canceled automatically and if theretofore paid, shall at the option of the Holder be refunded to the Company or, to the extent permitted by law, credited to the principal amount of said Debenture as a prepayment; and

(d) The effective rate of interest shall be automatically subject to reduction to the maximum lawful contract rate allowed under said law as is now or may hereinafter be construed by courts of appropriate jurisdiction and to the extent permitted by law, the determination of the rate of interest shall be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan, all interest at any time contracted for, charged or received from the Company in connection with said loan.

7. Waiver. The Company hereby waives presentment, demand for payment, notice of dishonor or acceleration, protest and notice of protest, and any and all other notices or demands in connection with the delivery, acceptance, performance, default or enforcement of this Debenture, excepting any notice requirements specifically set forth herein.

8. Governing Law. This Debenture and the rights and obligations of the parties hereunder shall be governed by and construed and interpreted in accordance with the laws of the State of Florida without giving effect to principles of conflict of laws contained therein.

9. Notices. All notices which either party may be required or desire to give to any other party shall be in writing and shall be given by personal service, telecopy, registered mail or certified mail (or its equivalent), or overnight courier to the other party at its respective address first above written. Mailed notices and notices by overnight courier shall be deemed to be given upon actual receipt by the party to be notified. Notices delivered by telecopy shall be confirmed in writing by overnight courier and shall be deemed to be given upon actual receipt by the party to be notified. A party may change its address or addresses set forth above by giving the other parties notice of the change in accordance with the provisions of this section.

10. Headings. The headings of the sections of this Debenture are inserted for convenience only and do not constitute a part of this Debenture.

11. Assignment. This Debenture and the rights and obligations herein may not be assigned by the Company without the prior written consent of the Holder.

**IN WITNESS WHEREOF**, the Company has caused this Debenture to be signed in its corporate name by its duly authorized officer, and to be dated the day and year first above written.

**INFINIUM LABS, INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**Accepted and agreed:**

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_



THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, IN EACH CASE AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY.

**INFINIUM LABS, INC.**

**AMENDED AND RESTATED CONVERTIBLE SECURED PROMISSORY NOTE**

\$825,000

New York, NY  
June 16, 2004

**FOR VALUE RECEIVED**, the undersigned, INFINIUM LABS, INC., a Delaware corporation (the "Company"), having a principal place of business located at 2033 Main Street, Suite 309, Sarasota, Florida 34237, hereby promises to pay to Phantom Investors, LLC, a New York limited liability company ("Holder"), having an office for doing business at 1991 Main Street, Suite 222, Sarasota, Florida 34236, the principal amount of Eight Hundred Twenty-Five Thousand Dollars (\$825,000) with interest thereon, in lawful money of the United States, on the terms set forth in Section 1 of this Amended And Restated Convertible Secured Promissory Note (this "Amended Note"). This Amended Note is made pursuant to the terms of the Amended and Restated Securities Purchase Agreement of even date herewith between the Company and Holder (the "Purchase Agreement"); such Purchase Agreement is attached hereto as EXHIBIT A and incorporated herein by reference. Capitalized terms that are used but are not defined in this Amended Note shall have the meanings ascribed thereto in the Purchase Agreement. The Company previously executed that certain Convertible Secured Promissory Note dated as of June 3, 2004 (the "Promissory Note") which Promissory Note is hereby terminated and replaced in its entirety by this Amended Note.

1. Payments of Interest and Principal.

(a) The outstanding principal balance of this Amended Note shall be due and payable in the following installments: 25% of the amount outstanding as of the Effective Date shall be due and payable 30 days after the Effective Date, 35% of the amount outstanding as of the Effective Date shall be due and payable 60 days after the Effective Date, and any remaining outstanding principal balance shall be due and payable 90 days after the Effective Date; provided, however, the entire outstanding principal balance as of the date that is twelve (12) months after the date of this Amended Note (the "Maturity Date") shall be due and payable on the Maturity Date whether or not the Effective Date has occurred.

(b) Interest on the unpaid principal balance hereof outstanding from time to time shall bear interest at the rate of fifteen percent (15%) per annum. The interest shall be payable in arrears on the last day of each month commencing on June 30, 2004, and continuing each month thereafter until the obligations described herein have been fully satisfied; provided however, that upon execution of this Amended Note, the Company shall immediately pay the interest payment due June 30, 2004 of \$10,312.50 in cash or cash equivalent.

(c) If the Company should fail to pay any installment of principal or interest, or other amounts payable pursuant to this Amended Note, within ten (10) days of the due date thereof, including when due as a result of acceleration or if Holder should for any reason be required to pay over any amount collected on this Amended Note to another creditor of the Company, the Company shall pay additional interest on all such defaulted amounts at the lesser of the then applicable interest rate plus two percent (2%) per annum or the maximum rate permitted by law from the date of default to the date of payment. Amounts payable under this Section shall be payable on demand.

(d) All amounts payable hereunder shall be made by the Company by wire transfer or by any other method approved in advance by Holder at the place designated by Holder in writing to the Company in immediately available and freely transferable funds at such place of payment.

(e) The Company may prepay all or any portion of the principal amount outstanding under this Amended Note at any time, ~~from the Effective Date~~ <sup>RL</sup> <sub>RL</sub>

2. Security Interest. The Company granted to Holder a present security interest in all of the Company's assets to secure the Company's debts, liabilities and obligations under the Promissory Note, which security interest is effective as of the date of the Promissory Note. The Company executed and delivered to the Holder a Security Agreement as attached hereto as EXHIBIT B and incorporated herein by reference and other papers as may be necessary or appropriate to establish and maintain a valid security interest in the Company's assets. The Company shall pay all costs of any filings of financing statements or other papers, including without limitation any document stamp taxes or fees.

3. Conversion of Obligations.

(a) At any time prior to the Maturity Date or the earlier prepayment of the entire principal amount outstanding under this Amended Note, the outstanding principal amount due under this Amended Note may be converted, at the sole discretion of Holder, into shares of Common Stock of the Company at a conversion price of \$.75 per Share (the "Conversion Price"). Holder may exercise its right to convert obligations outstanding under this Amended Note by giving written notice of such conversion to the Company specifying the amount of the obligations converted. Such notice shall be irrevocable and the conversion effected thereby shall be effective on the date such notice is actually received by the Company.

(b) The Company has authorized and has reserved and covenants to continue to reserve, free of preemptive rights and other similar contractual rights of stockholders, a sufficient number of its authorized but unissued shares of its Common Stock to cover the shares which may be issued upon the conversion of obligations under this Amended Note.

(c) In the event that the Company prepays any principal amount outstanding under this Amended Note, Holder may, within 10 days of the date of receiving such prepayment, refund the amount of such prepayment to the Company provided Holder simultaneously converts the principal amount so prepaid into Common Stock pursuant to this Section 3.

(d) In the event of any change in the Common Stock of the Company by reason of any stock dividend, other stock split, recapitalization, reorganization, merger, consolidation, split-up, combination, or exchange of shares, or of any similar change affecting the Common Stock (each, a "Transaction"), the Conversion Price shall be adjusted automatically to take into account such Transaction so that Holder's rights upon any conversion are not impaired or enlarged by such Transaction. If, after the Transaction, Common Stock no longer exists, Holder shall be entitled to receive upon conversion such other securities, cash or property that Holder would have received in the Transaction if Holder had converted its obligations under this Amended Note into Common Stock immediately prior to the Transaction. Except for such adjustment, the rights and obligations of the Company and Holder under this Amended Note shall not be affected by such Transaction.

4. Covenants. The Company covenants and agrees that so long as the Amended Note is outstanding and until all principal and accrued interest and other amounts due hereunder have been paid in full, unless otherwise consented to by the Holder in writing:

(a) The Company shall not take any action to dissolve and shall not sell any significant asset or assets (whether in one or more transactions) for less than fair and valuable consideration;

(b) The Company shall not be a party to a merger or consolidation in which the Company is not the surviving entity, other than mergers or similar transactions accomplished solely to change the Company's form or jurisdiction of organization.

(c) The Company shall not divest, sell, assign, convey or dispose of any assets of the Company outside the ordinary course of business other than for fair and valuable consideration.

(d) The Company will notify Holder immediately if it becomes aware of the occurrence of any Event of Default or of any event that with the giving of notice or passage of time, or both, would reasonably be expected to give rise to an Event of Default.

(e) The Company agrees that it will use the proceeds of this Amended Note only for general working capital and expansion purposes and, in particular, will not use such proceeds, without the written consent of Holder (a) to increase the direct or indirect compensation of any existing officer, director or employee other than increases of compensation of employees in the ordinary course of business, or (b) to pay any dividends or other distributions on its capital stock or (c) to make acquisitions of other businesses.

(f) The Company hereby grants to Holder a first priority payback; i.e., before any other debt of the Company is retired, in whole or in part and whether such debt is heretofor incurred or incurred after the date hereof, any and all debt owed by Company to Holder will be retired in its entirety concurrently with any other such debt retirement. For purposes of this Section, any debt of the Company will include convertible debt, debentures, or any other instrument which the Holder reasonably determines to be a debt instrument.

5. Default and Remedies.

(a) The following events shall constitute events of default (any of which is referred to as an "Event of Default") under this Amended Note:

(i) The Company fails to make any payment of interest, principal or any other amounts, when due under this Amended Note for five (5) days after the payment is due to the Holder;

(ii) The Company fails to perform any term, covenant or agreement contained in this Amended Note or the Security Agreement or the Purchase Agreement, including without limitation the obligation under the Purchase Agreement to file the Registration Statement by no later than July 15, 2004 or the extended deadline of July 30, 2004, and such failure is not cured within ten (10) days after receipt by the Company of notice of such failure;

(iii) The Company fails to make any payment of any principal or interest on any other indebtedness in an amount equal to or exceeding \$30,000, which payment is not in dispute, which results in the acceleration of the maturity of indebtedness having an outstanding principal amount of \$1,000,000 or more;

(iv) The Company shall commence a voluntary case concerning itself under the Bankruptcy Code in Title 11 of the United States Code (as amended, modified, succeeded or replaced, from time to time, the "Bankruptcy Code"); or an involuntary case is commenced against the Company under the Bankruptcy Code and the petition is not dismissed within ninety (90) days after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of all or substantially all of the property of the Company; or the Company commences any other proceeding under any reorganization, arrangement, adjustment of the debt, relief of creditors, dissolution, insolvency or similar law of any jurisdiction whether now or hereafter in effect relating to the Company; or there is commenced against the Company any such proceeding

which remains undismissed for a period of ninety (90) days; or the Company is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company suffers appointment of any custodian or the like for it or for any substantial part of its property to continue unchanged or unstayed for a period of ninety (90) days; or the Company makes a general assignment for the benefit of creditors; or any corporate action is taken by the Company for the purpose of effecting any of the foregoing;

(v) One or more judgments shall be entered against the Company involving a liability of One Hundred Thousand Dollars (\$100,000) or more in the aggregate for all such judgments for the Company collectively and any such judgments shall not have been vacated, discharged or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or

(vi) The Company is adjudicated insolvent by a court of competent jurisdiction.

(b) Upon the occurrence of any Event of Default, and at any time thereafter so long as the Event of Default shall be continuing, the Holder may take any of the following actions without prejudice to the rights of the Holder to enforce its claims against the Company except as otherwise specifically provided for herein:

(i) declare the unpaid principal and any accrued and unpaid interest in respect of this Amended Note to be due, whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company;

(ii) reduce any claim to judgment;

(iii) without notice of default or demand, pursue and enforce any of the Holder's rights and remedies under this Amended Note, or otherwise provided under or pursuant to any applicable law or agreement, including without limitation all rights and remedies available to Holder as a secured party under the Security Agreement and under the Uniform Commercial Code as enacted in the State of New York; and

(iv) SOLELY IN THE CASE OF AN EVENT OF DEFAULT DESCRIBED IN CLAUSE (a)(i) ABOVE OR THE FAILURE OF THE COMPANY TO TIMELY FILE THE REGISTRATION STATEMENT UNDER THE PURCHASE AGREEMENT AND ONLY IF SUCH EVENT OF DEFAULT HAS NOT BEEN CURED WITHIN FIVE DAYS AFTER RECEIPT BY THE COMPANY OF NOTICE OF SUCH EVENT OF DEFAULT, THE COMPANY HEREBY AUTHORIZES ANY ATTORNEY DESIGNATED BY HOLDER TO APPEAR FOR THE COMPANY IN ANY COURT OF RECORD AND CONFESS JUDGMENT, WITHOUT PRIOR HEARING, AGAINST THE COMPANY IN FAVOR OF HOLDER FOR, AND IN THE AMOUNT OF, THE UNPAID BALANCES OF THE PRINCIPAL AND ANY UNPAID, ACCRUED INTEREST THEREON, AS SET FORTH WITHIN THIS AMENDED NOTE, REASONABLE ATTORNEY'S FEES, OTHER COSTS OF LEGAL ACTION, AND ANY OTHER AMOUNTS PAYABLE BY THE COMPANY TO HOLDER UNDER THE

**TERMS AND CONDITIONS OF THIS AMENDED NOTE.** The Company hereby releases, to the extent permitted by applicable law, all errors and all rights of exemption, appeal, stay of execution, inquisition, and other rights to which Holder may otherwise be entitled under the laws of the United States of America or of any state or possession of the United States of America now in force and which may hereafter be enacted. The authority and power to appear for an enter judgment against the Company shall not be exhausted by one or more exercises thereof or by any imperfect exercise thereof and shall not be extinguished by any judgment entered pursuant thereto. Such authority may be exercised on one or more occasions or from time to time in the same or different jurisdictions as often as Holder shall deem necessary or desirable, for all of which this Amended Note shall be a sufficient warrant.

(c) If any amount, whether principal, interest or other payment, on this Amended Note is not paid when due, the Company shall pay all fees and costs of collection, including, but not limited to, reasonable attorneys fees incurred by the Holder, whether or not suit is filed hereon. The rights and remedies of the Holder as provided in this Amended Note shall be cumulative and may be pursued singly, successively, or together.

6. **Maximum Interest.** All agreements between the Company and the Holder are expressly limited so that under no circumstances and in no event shall the amount paid or agreed to be paid to the Holder for the use, forbearance or detention of the money to be loaned hereunder exceed the maximum amount permissible under the applicable federal and state usury laws. It is therefore the intention of the Company and the Holder to conform strictly to state and federal usury laws applicable to this loan and to limit the interest paid on this Amended Note to the amount herein stated or the highest rate of interest according to law, whichever is the lesser. Therefore, in this Amended Note or in any of the documents relating hereto, the aggregate of all interest or any other charges constituting interest under the applicable law contracted for, chargeable, or receivable under this Amended Note or otherwise in connection with this Amended Note shall under no circumstances exceed the maximum amount of interest permitted by law. If any excess of interest in such respect is provided for or shall be adjudicated to be so provided for in this Amended Note or in any of the documents securing payment hereof or otherwise relating hereto, then in such event:

(a) The provisions of this Section shall govern and control;

(b) Neither the Company, its successors or assigns nor any other party liable for the payment hereof shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum permitted by law;

(c) Any excess of said interest shall be deemed a mistake and is hereby canceled automatically and if theretofore paid, shall at the option of the Holder be refunded to the Company or, to the extent permitted by law, credited to the principal amount of said Amended Note as a prepayment; and

(d) The effective rate of interest shall be automatically subject to reduction to the maximum lawful contract rate allowed under said law as is now or may hereinafter be construed by courts of appropriate jurisdiction and to the extent permitted by law, the determination of the rate of interest shall be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan, all interest at any time contracted for, charged or received from the Company in connection with said loan.

7. Waiver. The Company hereby waives presentment, demand for payment, notice of dishonor or acceleration, protest and notice of protest, and any and all other notices or demands in connection with the delivery, acceptance, performance, default or enforcement of this Amended Note, excepting any notice requirements specifically set forth herein.

8. Governing Law. This Amended Note and the rights and obligations of the parties hereunder shall be governed by and construed and interpreted in accordance with the laws of the State of New York without giving effect to principles of conflict of laws contained therein.

9. Notices. All notices which either party may be required or desire to give to any other party shall be in writing and shall be given by personal service, telecopy, registered mail or certified mail (or its equivalent), or overnight courier to the other party at its respective address first above written. Mailed notices and notices by overnight courier shall be deemed to be given upon actual receipt by the party to be notified. Notices delivered by telecopy shall be confirmed in writing by overnight courier and shall be deemed to be given upon actual receipt by the party to be notified. A party may change its address or addresses set forth above by giving the other parties notice of the change in accordance with the provisions of this section.

10. Headings. The headings of the sections of this Amended Note are inserted for convenience only and do not constitute a part of this Amended Note.

11. Assignment. This Amended Note and the rights and obligations herein may not be assigned by the Company without the prior written consent of the Holder.

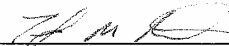
12. Waiver of Jury Trial. THE COMPANY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AMENDED NOTE. FURTHER, THE COMPANY HEREBY CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF HOLDER NOR HOLDER'S COUNSEL HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT HOLDER WOULD NOT, IN THE EVENT OF SUCH LITIGATION, SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION. FINALLY, THE COMPANY ACKNOWLEDGES THAT HOLDER HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, INTER ALIA, THE PROVISIONS OF THIS SECTION.

13. Interpretation. Neither party shall have the language in this Amended Note construed against it as the drafter of such language.

14. Counterparts. This Agreement may be executed in counterparts and each shall be deemed an original.

**IN WITNESS WHEREOF**, the Company has caused this Amended Note to be signed in its corporate name by its duly authorized officer, and to be dated the day and year first above written.

**INFINIUM LABS, INC.**

By: 

Name: Timothy M. Roberts

Its: CEO

**Accepted and agreed:**

**PHANTOM INVESTORS, LLC**

By: 

Name: David Chessler

Its: Managing Member

Dated: 6.16.04



THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY

**INFINIUM LABS, INC.**

**15% SECURED SUBORDINATED DEBENTURE**

No. \_\_\_\_\_  
\$417,260

Sarasota, Florida  
May 3, 2004

**FOR VALUE RECEIVED**, the undersigned, INFINIUM LABS, INC., a Delaware corporation (the "Company"), having a principal place of business located at 2033 Main Street, Suite 309, Sarasota, Florida 34237, hereby promises to pay to James M. Beshara ("Holder"), having an office for doing business at 35 Watergate, Sarasota, Florida, 34236 the principal amount of Four Hundred Seventeen Thousand Two Hundred Sixty Dollars (\$417,260) with interest thereon, in lawful money of the United States, on the terms set forth in Section 1 of this Debenture (the "Debenture"). As additional consideration, the Holder shall also receive the following: Seventy-Five Percent of all shares of Infinium Labs Stock owned as of the date of execution of this instrument by James M. Beshara, Sharon M. Beshara, Fred M. Beshara, Edward C. Beshara and Sable L. Beshara shall be entitled to "piggyback" rights of registration in the filing of a registration statement with the Securities and Exchange Commission on or before May 20, 2004. This agreement shall supersede all prior lock-up agreements executed by any of the foregoing. Until said time, the shares shall be restricted and bear the following restrictive legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR ANY OTHER APPLICABLE LAW (THE "LAW") AND MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF EXCEPT IN COMPLIANCE WITH THE REQUIREMENTS OF THE ACT OR LAW OR PURSUANT TO AN EXEMPTION THEREFROM AND UNTIL THE

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CORPORATION SHALL HAVE RECEIVED THE WRITTEN OPINION OF COUNSEL TO THE CORPORATION TO THAT EFFECT."

1. Payments of Interest and Principal.

(a) The outstanding principal balance of this Debenture shall be due and payable thirty (30) days from the date of execution hereof.

(b) From the date hereof through the Maturity Date, interest on the unpaid principal balance hereof outstanding from time to time shall bear interest at the rate of fifteen percent (15%) per annum. Said interest shall accrue for a minimum of thirty days from the date of the execution of this instrument. The Interest and principal balance hereof shall be payable within three (3) business days of the closing of any pending Bridge Loan transactions between Infinium Labs and Armadillo, Kane and/or Nautilus.

(c) If the Company should fail to pay any installment of principal or interest, or other amounts payable pursuant to this Debenture when due, including when due as a result of acceleration or if Holder should for any reason be required to pay over any amount collected on this Debenture to another creditor of the Company, the Company shall pay additional interest on all such defaulted amounts at the rate of Five Thousand Nine Hundred Sixty Four (5,964) shares of Infinium Labs Stock amortized over a thirty day period of time for each thirty day period of time in which Infinium Labs remains delinquent. Said shares shall be subject to the foregoing conditions. Amounts payable under this Section shall be payable on demand.

(d) Should the Company fail to file a Registration Statement with the Securities and Exchange Commission on or before May 20, 2004, The Company shall pay additional interest at the rate of Fourteen Thousand Four Hundred (14,400) shares of Infinium Labs stock amortized over a thirty day period of time for each thirty day period of time in which Infinium Labs remains late with it's filing.

(e) All amounts payable hereunder shall be made by the Company by wire transfer or by any other method approved in advance by Holder at the place designated by Holder in writing to the Company in immediately available and freely transferable funds at such place of payment.

2. Security Interest. The Company grants to Holder and each other holder of Debentures in this Issue a present security interest in all of the Company's assets to secure the Company's debts, liabilities and obligations under the Issue of Debentures. The Company shall execute and deliver to the Holder and each other holder of Debentures in this Issue a Security Agreement in a commercially reasonable form requested by the Holder and such other

holders and such financing statements and other papers as may be necessary or appropriate to establish and maintain a valid security interest in the Company's assets. The Company shall pay all costs of any filings of financing statements or other papers.

3. Subordination

(a) The Parties hereto agree that the payment of the principal of, and interest on, this Debenture is expressly subordinated to the payment of all Senior Indebtedness, to the extent and subject to the conditions set forth in this Section 3. As used herein, the term "Senior Indebtedness" shall mean the principal of, the interest on and the premium, if any, on all indebtedness of the Company for money borrowed by it from any bank, insurance company or other financial institution, and all renewals, extensions and refundings of any such indebtedness, whether such indebtedness shall have been incurred prior to, on or subsequent to the date hereof, unless by the terms of the instrument creating or evidencing any such indebtedness it is provided that such indebtedness is not to be considered Senior Indebtedness for the purpose of this Debenture.

(b) No interest or principal shall be paid on the Debenture without the consent of the holder of all outstanding Senior Indebtedness if, at the date fixed herein for such interest or principal payment, the Company shall be in default of payment of principal or interest upon such Senior Indebtedness. In the event any payment of interest hereunder shall be prohibited pursuant to this Section 3(b), such interest and principal payment shall be deemed to be deferred until the cure of all defaults in payment of principal or interest upon the Senior Indebtedness, and the interest and principal payments hereon so deferred shall immediately become due and payable, without any interest thereon, upon the cure of such defaults.

(c) The Parties hereto agree that the lien of the security interest granted to the Holder and other holders of this Issue of Debentures is expressly subordinated to the lien of the security interest granted to the holder of the Senior Indebtedness.

(d) The Company and the Holder covenant and agree to execute and deliver to the holder of the Senior Indebtedness a commercially reasonable form of Subordination Agreement which is consistent with the terms of this Section 3.

4. Covenants. The Company covenants and agrees that so long as the Debenture is outstanding and until all principal and accrued interest and other amounts due hereunder have been paid in full, unless otherwise consented to by the Holder in writing:

(a) The Company shall not take any action to dissolve and shall

not sell any significant asset or assets (whether in one or more transactions) for less than fair and valuable consideration;

(b) The Company shall not be a party to a merger or consolidation in which the Company is not the surviving entity, other than mergers or similar transactions accomplished solely to change the Company's form or jurisdiction of organization.

(c) The Company shall not divest, sell, assign, convey or dispose of any assets of the Company outside the ordinary course of business other than for fair and valuable consideration.

(d) Within sixty (60) days after the end of each fiscal quarter, the Company shall furnish to the Holder audited quarterly financial statements for the Company and its subsidiaries consisting of consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows, prepared in accordance with generally accepted accounting principles in the United States, consistently applied.

5. Default and Remedies.

(a) The following events shall constitute events of default (any of which is referred to as an "Event of Default") under this Debenture:

(i) The Company fails to make any payment of interest, principal or any other amounts, when due under this Debenture for thirty (30) days after the payment is due to the Holder;

(ii) The Company fails to perform any term, covenant or agreement contained in this Debenture or the Security Agreement and such failure is not cured within thirty (30) days after receipt by the Company of notice of such failure;

(iii) The Company fails to make any payment of any principal or interest on any other indebtedness, not in dispute, equal to or exceeding \$30,000 (including, but not limited to, Senior Indebtedness) which results in the acceleration of the maturity of such indebtedness;

(iv) The Company shall commence a voluntary case concerning itself under the Bankruptcy Code in Title 11 of the United States Code (as amended, modified, succeeded or replaced, from time to time, the "Bankruptcy Code"); or an involuntary case is commenced against the Company under the Bankruptcy Code and the petition is not dismissed within ninety (90) days after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of all or substantially all of the property of the Company; or the Company commences any other proceeding

under any reorganization, arrangement, adjustment of the debt, relief of creditors, dissolution, insolvency or similar law of any jurisdiction whether now or hereafter in effect relating to the Company; or there is commenced against the Company any such proceeding which remains undismissed for a period of ninety (90) days; or the Company is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company suffers appointment of any custodian or the like for it or for any substantial part of its property to continue unchanged or unstayed for a period of ninety (90) days; or the Company makes a general assignment for the benefit of creditors; or any corporate action is taken by the Company for the purpose of effecting any of the foregoing; or

(v) One or more judgments shall be entered against the Company involving a liability of One Hundred Thousand Dollars (\$100,000) or more in the aggregate for all such judgments for the Company collectively and any such judgments shall not have been vacated, discharged or stayed or bonded pending appeal within sixty (60) days from the entry thereof.

(b) Upon the occurrence of any Event of Default, and at any time thereafter, the Holder may take any of the following actions without prejudice to the rights of the Holder to enforce its claims against the Company except as otherwise specifically provided for herein:

(i) declare the unpaid principal and any accrued and unpaid interest in respect of this Debenture to be due, whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company;

(ii) reduce any claim to judgment;

(iii) without notice of default or demand, pursue and enforce any of the Holder's rights and remedies under this Debenture, or otherwise provided under or pursuant to any applicable law or agreement, including without limitation all rights and remedies available to Holder as a secured party under the Security Agreement and under the Uniform Commercial Code as enacted in the State of Delaware.

(c) If any amount, whether principal, interest or other payment, on this Debenture is not paid when due, the Company shall pay all fees and costs of collection, including, but not limited to, reasonable attorneys fees incurred by the Holder, whether or not suit is filed hereon. The rights and remedies of the Holder as provided in this Debenture shall be cumulative and may be pursued singly, successively, or together.

6. Maximum Interest. All agreements between the Company and the Holder are expressly limited so that in no contingency or event shall the amount

paid or agreed to be paid to the Holder for the use, forbearance or detention of the money to be loaned hereunder exceed the maximum amount permissible under the applicable federal and state usury laws. It is therefore the intention of the Company and the Holder to conform strictly to state and federal usury laws applicable to this loan and to limit the interest paid on this Debenture to the amount herein stated or the highest rate of interest according to law, whichever is the lesser. Therefore, in this Debenture or in any of the documents relating hereto, the aggregate of all interest or any other charges constituting interest under the applicable law contracted for, chargeable, or receivable under this Debenture or otherwise in connection with this Debenture shall under no circumstances exceed the maximum amount of interest permitted by law. If any excess of interest in such respect is provided for or shall be adjudicated to be so provided for in this Debenture or in any of the documents securing payment hereof or otherwise relating hereto, then in such event:

- (a) The provisions of this Section 6 shall govern and control;
- (b) Neither the Company, its successors or assigns nor any other party liable for the payment hereof shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum permitted by law;
- (c) Any excess of said interest shall be deemed a mistake and is hereby canceled automatically and if theretofore paid, shall at the option of the Holder be refunded to the Company or, to the extent permitted by law, credited to the principal amount of said Debenture as a prepayment; and
- (d) The effective rate of interest shall be automatically subject to reduction to the maximum lawful contract rate allowed under said law as is now or may hereinafter be construed by courts of appropriate jurisdiction and to the extent permitted by law, the determination of the rate of interest shall be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan, all interest at any time contracted for, charged or received from the Company in connection with said loan.

7. Waiver. The Company hereby waives presentment, demand for payment, notice of dishonor or acceleration, protest and notice of protest, and any and all other notices or demands in connection with the delivery, acceptance, performance, default or enforcement of this Debenture, excepting any notice requirements specifically set forth herein.

8. Governing Law. This Debenture and the rights and obligations of the parties hereunder shall be governed by and construed and interpreted in accordance with the laws of the State of Florida without giving effect to principles of conflict of laws contained therein.

9. Notices. All notices which either party may be required or desire to give to any other party shall be in writing and shall be given by personal service, telecopy, registered mail or certified mail (or its equivalent), or overnight courier to the other party at its respective address first above written. Mailed notices and notices by overnight courier shall be deemed to be given upon actual receipt by the party to be notified. Notices delivered by telecopy shall be confirmed in writing by overnight courier and shall be deemed to be given upon actual receipt by the party to be notified. A party may change its address or addresses set forth above by giving the other parties notice of the change in accordance with the provisions of this section.

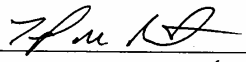
10. Headings. The headings of the sections of this Debenture are inserted for convenience only and do not constitute a part of this Debenture.

11. Assignment. This Debenture and the rights and obligations herein may not be assigned by the Company without the prior written consent of the Holder.

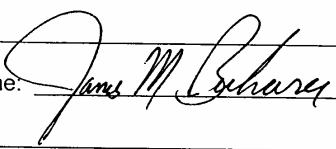
12. Reformation. The parties agree that in the event that Infinium Labs enters into any Bridge Funding Agreements in similar form as the foregoing, and, upon terms which are more favorable to the Holder than the foregoing, That Holder shall be entitled, on demand, to Reformation of this Debenture to such terms as the more favorable instrument.

IN WITNESS WHEREOF, the Company has caused this Debenture to be signed in its corporate name by its duly authorized officer, and to be dated the day and year first above written.

INFINIUM LABS, INC.

By:   
Name: Timothy Roberts  
Its: CEO/Chairman

Accepted and agreed:

\_\_\_\_\_  
By:   
Name: James M. Behares  
Its: \_\_\_\_\_  
Dated: May 3 2004



THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY

**INFINIUM LABS, INC.**

**15% SECURED DEBENTURE**

\$1,400,000

Sarasota, Florida  
March 29, 2004

This Debenture supercedes that prior debenture issued by Infinium Labs, Inc. on February 12, 2004 in the principal amount of One Million Dollars (\$1,000,000).

**FOR VALUE RECEIVED**, the undersigned, INFINIUM LABS, INC., a Delaware corporation (the "Company"), having a principal place of business located at 2033 Main Street, Suite 309, Sarasota, Florida 34237, hereby promises to pay to James Beshara ("Holder"), having an office for doing business at 35 Watergate, Sarasota, Florida, 34236 the principal amount of One Million Four Hundred Thousand Dollars (\$1,400,000) with interest thereon, in lawful money of the United States, on the terms set forth in Section 1 of this Debenture (the "Debenture"). As additional consideration, the Holder shall also receive 20,000 shares of common stock par value \$.001. made payable in the name of Sharon Beshara. The shares shall be restricted and bear the following restrictive legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR ANY OTHER APPLICABLE LAW (THE "LAW") AND MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF EXCEPT IN COMPLIANCE WITH THE REQUIREMENTS OF THE ACT OR LAW OR PURSUANT TO AN EXEMPTION THEREFROM AND UNTIL THE CORPORATION SHALL HAVE RECEIVED THE WRITTEN OPINION OF COUNSEL TO THE CORPORATION TO THAT EFFECT."

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Holder shall be entitled to the grant of registration rights following the expiration of a period of one year from the execution of this agreement pursuant to the foregoing act so long as all pre-requisites have otherwise been met.

1. Payments of Interest and Principal

(a) The outstanding principal balance of this Debenture shall be due and payable on the earlier of (i) sixty (60) days from the date the Company's registration statement filed on Form SB-2 is declared effective by the Securities and Exchange Commission or (ii) the Company receives an equity investment of not less than Fifteen Million Dollars (\$15,000,000); or twelve (12) months from the date of this Debenture (the "Maturity Date").

(b) From the date hereof through the Maturity Date, interest on the unpaid principal balance hereof outstanding from time to time shall bear interest at the rate of fifteen percent (15%) per annum. The Interest shall be payable on the first business day of each month commencing on April 1, 2004 and continuing each month thereafter until the obligations described herein have been fully satisfied. As of the date of this instrument, accrued interest on the February 12, 2004 debenture has accrued in the amount of Fifteen Thousand Six Hundred Dollars (\$15,600). Said amount shall be included herein and be due and payable in full on April 1, 2004, along with interest accrued hereunder. The company shall have the right to prepay the debt owed along with interest pursuant to this instrument in whole or in part at any time prior to the maturity date with the exception of a minimum of four months interest which holder shall be entitled to receive hereunder.

(c) If the Company should fail to pay any installment of principal or interest, or other amounts payable pursuant to this Debenture, within ten (10) days when due, including when due as a result of acceleration or if Holder should for any reason be required to pay over any amount collected on this Debenture to another creditor of the Company, the Company shall pay additional interest on all such defaulted amounts at the lesser of the then applicable interest rate plus two percent (2%) per annum or the maximum rate permitted by law from the date of default to the date of payment. Amounts payable under this Section shall be payable on demand.

(d) All amounts payable hereunder shall be made by the Company by wire transfer or by any other method approved in advance by Holder at the place designated by Holder in writing to the Company in immediately available and freely transferable funds at such place of payment.

2. Security Interest. The Company grants to Holder a present security interest in all of the Company's assets to secure the Company's debts, liabilities and obligations under this Debenture. The Company shall execute and deliver to the Holder a Security Agreement in a commercially reasonable form requested by the Holder and such financing statement and other papers as may be necessary or appropriate to establish and maintain a valid security interest in the Company's assets. The Company shall pay all costs of any filings of financing statement or other papers. In addition, Timothy Roberts, CEO of the Company, agrees to pledge an amount of his shares of common stock of the Company equal to the principal amount of this Debenture divided by \$5.00 as further security for the obligations of the Company described herein, (and all substations for them) and all distributions related to the proceeds of the collateral.

3. Section 3 has been intentionally deleted.

4. Covenants. The Company covenants and agrees that so long as the Debenture is outstanding and until all principal and accrued interest and other amounts due hereunder have been paid in full, unless otherwise consented to by the Holder in writing:

(a) The Company shall not take any action to dissolve and shall not sell any significant asset or assets (whether in one or more transactions) for less than fair and valuable consideration;

(b) The Company shall not be a party to a merger or consolidation in which the Company is not the surviving entity, other than mergers or similar transactions accomplished solely to change the Company's form or jurisdiction of organization.

(c) The Company shall not divest, sell, assign, convey or dispose of any assets of the Company outside the ordinary course of business other than for fair and valuable consideration.

(d) Within sixty (60) days after the end of each fiscal quarter, the Company shall furnish to the Holder audited quarterly financial statements for the Company and its subsidiaries consisting of consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows, prepared in accordance with generally accepted accounting principles in the United States, consistently applied.

5. Default and Remedies.

(a) The following events shall constitute events of default (any of which is referred to as an "Event of Default") under this Debenture:

(i) The Company fails to make any payment of interest, principal or any other amounts, when due under this Debenture for thirty (30) days after the payment is due to the Holder;

(ii) The Company fails to perform any term, covenant or agreement contained in this Debenture or the Security Agreement and such failure is not cured within thirty (30) days after receipt by the Company of notice of such failure;

(iii) The Company fails to make any payment of any principal or interest on any other indebtedness, not in dispute, equal to or exceeding \$30,000 (including, but not limited to, Senior Indebtedness) which results in the acceleration of the maturity of such indebtedness;

(iv) The Company shall commence a voluntary case concerning itself under the Bankruptcy Code in Title 11 of the United States Code (as amended, modified, succeeded or replaced, from time to time, the "Bankruptcy Code"); or an involuntary case is commenced against the Company under the Bankruptcy Code and the petition is not dismissed within ninety (90) days after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of all or substantially all of the property of the Company; or the Company commences any other proceeding under any reorganization, arrangement, adjustment of the debt, relief of creditors, dissolution, insolvency or similar law of any jurisdiction whether now or hereafter in effect relating to the Company; or there is commenced against the Company any such proceeding which remains undismissed for a period of ninety (90) days; or the Company is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company suffers appointment of any custodian or the like for it or for any substantial part of its property to continue unchanged or unstayed for a period of ninety (90) days; or the Company makes a general assignment for the benefit of creditors; or any corporate action is taken by the Company for the purpose of effecting any of the foregoing; or

(v) One or more judgments shall be entered against the Company involving a liability of One Hundred Thousand Dollars (\$100,000) or more in the aggregate for all such judgments for the Company collectively and any such judgments shall not have been vacated, discharged or stayed or bonded pending appeal within sixty (60) days from the entry thereof.

(b) Upon the occurrence of any Event of Default, and at any time thereafter, the Holder may take any of the following actions without prejudice to the rights of the Holder to enforce its claims against the Company except as otherwise specifically provided for herein:

(i) declare the unpaid principal and any accrued and unpaid interest in respect of this Debenture to be due, whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company;

(ii) reduce any claim to judgment;

(iii) without notice of default or demand, pursue and enforce any of the Holder's rights and remedies under this Debenture, or otherwise provided under or pursuant to any applicable law or agreement, including without limitation all rights and remedies available to Holder as a secured party under the Security Agreement and under the Uniform Commercial Code as enacted in the State of Delaware.

(c) If any amount, whether principal, interest or other payment, on this Debenture is not paid when due, the Company shall pay all fees and costs of collection, including, but not limited to, reasonable attorneys fees incurred by the Holder, whether or not suit is filed hereon. The rights and remedies of the Holder as provided in this Debenture shall be cumulative and may be pursued singly, successively, or together.

6. Maximum Interest. All agreements between the Company and the Holder are expressly limited so that in no contingency or event shall the amount paid or agreed to be paid to the Holder for the use, forbearance or detention of the money to be loaned hereunder exceed the maximum amount permissible under the applicable federal and state usury laws. It is therefore the intention of the Company and the Holder to conform strictly to state and federal usury laws applicable to this loan and to limit the interest paid on this Debenture to the amount herein stated or the highest rate of interest according to law, whichever is the lesser. Therefore, in this Debenture or in any of the documents relating hereto, the aggregate of all interest or any other charges constituting interest under the applicable law contracted for, chargeable, or receivable under this Debenture or otherwise in connection with this Debenture shall under no circumstances exceed the maximum amount of interest permitted by law. If any excess of interest in such respect is provided for or shall be adjudicated to be so provided for in this Debenture or in any of the documents securing payment hereof or otherwise relating hereto, then in such event:

(a) The provisions of this Section 6 shall govern and control;

(b) Neither the Company, its successors or assigns nor any other party liable for the payment hereof shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum permitted by law;

(c) Any excess of said interest shall be deemed a mistake and is hereby canceled automatically and if theretofore paid, shall at the option of the

Holder be refunded to the Company or, to the extent permitted by law, credited to the principal amount of said Debenture as a prepayment; and

(d) The effective rate of interest shall be automatically subject to reduction to the maximum lawful contract rate allowed under said law as is now or may hereinafter be construed by courts of appropriate jurisdiction and to the extent permitted by law, the determination of the rate of interest shall be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan, all interest at any time contracted for, charged or received from the Company in connection with said loan.

7. Waiver. The Company hereby waives presentment, demand for payment, notice of dishonor or acceleration, protest and notice of protest, and any and all other notices or demands in connection with the delivery, acceptance, performance, default or enforcement of this Debenture, excepting any notice requirements specifically set forth herein.

8. Governing Law. This Debenture and the rights and obligations of the parties hereunder shall be governed by and construed and interpreted in accordance with the laws of the State of Florida without giving effect to principles of conflict of laws contained therein.

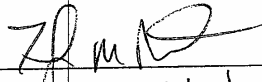
9. Notices. All notices which either party may be required or desire to give to any other party shall be in writing and shall be given by personal service, telecopy, registered mail or certified mail (or its equivalent), or overnight courier to the other party at its respective address first above written. Mailed notices and notices by overnight courier shall be deemed to be given upon actual receipt by the party to be notified. Notices delivered by telecopy shall be confirmed in writing by overnight courier and shall be deemed to be given upon actual receipt by the party to be notified. A party may change its address or addresses set forth above by giving the other parties notice of the change in accordance with the provisions of this section.


10. Headings. The headings of the sections of this Debenture are inserted for convenience only and do not constitute a part of this Debenture.

11. Assignment. This Debenture and the rights and obligations herein may not be assigned by the Company without the prior written consent of the Holder.

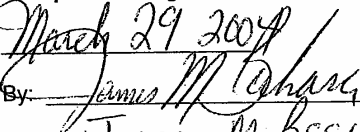
IN WITNESS WHEREOF, the Company has caused this Debenture to be signed in its corporate name by its duly authorized officer, and to be dated the day and year first above written.

INFINIUM LABS, INC.

By:   
Name: Timothy Roberts  
Its: CEO

  
Timothy Roberts, individually, with respect to  
Section 2 of this Debenture

Accepted and agreed:

March 29 2004  
By:   
Name: JAMES M BESHARA  
Its: Owner  
Dated: March 29 2004

## PROMISSORY NOTE

\$350,000

As of May 18, 2004

For value received, **Infinium Labs, Inc.** (hereinafter referred to as "Undersigned" or "Maker") promises to pay to the order of Sharon M. Beshara (herein referred to as "Holder"), the sum of Three Hundred Fifty Thousand Dollars (\$350,000), with interest thereon in the amount of Seven Thousand Five Hundred Dollars (\$7,500) and Seven Thousand Five Hundred (7,500) shares of Infinium Labs, Inc., stock.

1. The debt shall be payable on demand any time after June 8, 2004.
2. The Undersigned shall have the right to prepay all or part of this Obligation at any time, or from time to time, without premium or penalty.
3. The failure of the Holder to exercise any of its options to call this Note all due and payable upon any default shall not operate as a waiver or estoppel on his part to declare the total amount of unpaid principal due and payable on any subsequent default which shall not be cured to the satisfaction of the Holder.
4. This Note shall be construed in accordance with the laws of the State of Florida, without affect being given to any conflict of laws provisions.
5. The Undersigned hereby waives presentment, demand for payment, notice of dishonor, notice of protest and protest, and all other notices or demands in connection with the delivery, acceptance, performance, default, endorsement, or guarantee of this Note, except as specifically herein provided.
6. Any notices required hereunder shall be delivered personally or sent by Certified Mail, Return Receipt Requested and shall be effective as of the date such notice is received or delivery is refused.

**IN WITNESS WHEREOF**, the Undersigned has caused this Note to be duly executed as of the date first above written.

Infinium Labs, Inc.

By: \_\_\_\_\_  
Charles N. Cleland, Jr.  
General Counsel/Corporate Secretary



STATE OF FLORIDA                    )  
COUNTY OF \_\_\_\_\_) ss:

On this \_\_\_\_ day of \_\_\_\_\_, 2004 before me personally came Charles N. Cleland, Jr. to me personally known, who being duly sworn, did depose and say that he resides in \_\_\_\_\_ County, Florida and that he is the person whose name is written above.

\_\_\_\_\_  
Notary Public

## **PLEDGE AGREEMENT**

This Pledge Agreement is signed in Sarasota, Florida, on this 12 day of May, 2004 by Robert F. Shambro (hereinafter "Debtor") in favor of Phoenix Capital Opportunity Fund, LP (hereinafter "Secured Party"), for purpose of establishing a security interest in favor of Secured Party as more fully set forth below.

### **Section 1. DEFINITIONS**

As used in this Pledge Agreement:

- a. "Collateral" means Debtor's interest in and to Three Million (3,000,000) shares of Infinium Labs stock in the name of Robert F. Shambro.
- b. "Secured Party" means Phoenix Capital Opportunity Fund, LP.
- c. "Indebtedness" means Debtor's obligation to Secured Party, consisting of the sum of Three Hundred Fifty Thousand Dollars (\$350,000).
- d. "Lien" means any security interest, mortgage, pledge, lien, attachment, claim, charge, encumbrance, or agreement retaining title covering the Collateral.
- e. "Obligations" means the Indebtedness, and any later loans to Secured Party which recite within its terms that such later loan is secured by this Pledge Agreement, including attorneys' fees incurred by secured party in enforcing this Pledge Agreement or collecting payment under it.

### **Section 2. UCC DEFINITIONS INCORPORATED BY REFERENCE**

Terms defined in the Uniform Commercial Code, not otherwise defined in this Pledge Agreement, are used in this Pledge Agreement as defined in that Code on the date of this agreement.

### **Section 3. GRANT OF SECURITY INTEREST**

Debtor grants Secured Party a security interest in the Collateral to secure Debtor's obligations under this Pledge Agreement. That Collateral consists of Three Million (3,000,000) Shares of Infinium Labs Stock in the name of Robert F. Shambro. Secured Party shall retain physical possession of any certificates or documents evidencing Debtor's ownership of the collateral.

#### **Section 4. DEBTOR'S COVENENATS**

Debtor promises to pay the obligations to Secured Party when they are due, to not sell, lease, transfer, or otherwise dispose of the Collateral, to not permit liens on the Collateral, except existing liens and current tax liens, and to perform all acts necessary to maintain, preserve, and protect the Collateral. Debtor further promises to execute and deliver to Secured Party all financing statements and other documents that Secured Party requests, in order to maintain a first perfected security interest in the Collateral.

#### **Section 5. POWER OF ATTORNEY**

Debtor hereby appoints Secured Party, or any other person whom Secured Party may designate as Debtor's attorney-in-fact, to perform any of Debtor's obligations under the agreement in Debtor's name or otherwise, and to endorse Debtor's name on instruments, documents, or other forms of payment or security that come into Secured Party's possession.

#### **Section 6. DEBTOR'S WARRANTIES AND REPRESENTATIONS**

Debtor covenants, warrants, and represents as follows:

- a. Debtor has been authorized to execute and deliver this Pledge Agreement. The Pledge Agreement is a valid and binding obligation of Debtor. The Pledge Agreement creates a security interest enforceable against the Collateral in which Debtor now has rights, and will create a security interest enforceable against the Collateral in which Debtor later acquires rights, when Debtor acquires those rights.
- b. Neither the execution and delivery of this Pledge Agreement, nor the taking of any action in compliance with it, will (1) violate or breach any law, regulation, rule, order, or judicial action binding on Debtor, any agreement to which Debtor is a party, or (2) result in the creation of a lien against the Collateral except that which is created by this Pledge Agreement.

#### **Section 7. SECURED PARTY'S DUTIES**

Debtor acknowledges that Secured Party no duty or liability for the Collateral except (i) to exercise reasonable care while it is in Secured Party's possession, and (ii) upon full performance by Debtor of Debtor's obligation as set forth above, to reconvey secured Party's security interest in the collateral to Debtor.

#### **Section 8. TERMINATION OF SECURITY INTEREST**

Secured Party's security interest in the collateral will terminate when Debtor completes performance of all obligations to Secured Party, including without limitation the repayment of all indebtedness owed by Debtor to Secured party.

#### **Section 9. DEFAULT**

Debtor will be in default under this agreement if:

- a. Debtor fails to pay any installment when due, or its entire indebtedness to Secured Party when due, at stated maturity, on accelerated maturity or otherwise.
- b. Debtor commits any breach of this Pledge Agreement, or any present or future rider or supplement to this Pledge Agreement, or any other agreement between Debtor and Secured Party evidencing the obligation or securing it.
- c. Any warranty, representation, or statement, made by or on behalf of Debtor in or with respect to the Pledge Agreement, is false.
- d. The Collateral is lost, stolen, or damaged.
- e. There is a seizure or attachment of, or a levy on, the Collateral
- f. Debtor files for bankruptcy.

#### **Section 10. REMEDIES**

When an event of default occurs:

A. Secured Party may:

- (1) Declare the obligations immediately due and payable without demand, presentment, protest, or notice to Debtor, all of which Debtor expressly waives.
- (2) Exercise all rights and remedies available to a secured creditor after default, including but not limited to the rights and remedies of secured creditors under the Florida Uniform Commercial Code.
- (3) Perform any of Debtor's obligations under this Pledge Agreement for Debtor's account. Any money expended or obligations incurred in doing so, including reasonable attorney's fees and interest at the highest rate permitted by

law, will be charged to Debtor and added to the obligation secured by this Pledge Agreement.

- (4) At its option and without notice to Debtor, transfer and register the Collateral or any part of it in Secured Party's name or the name of its nominee; collect and enforce payment with respect to the Collateral; exercise all rights, options, and privileges with respect to the Collateral, and deliver it in that connection to any appropriate person or agency, and vote the Collateral as Debtor's proxy, that proxy to be irrevocable until this Pledge Agreement is terminated. Until such default, Debtor's right to vote the Collateral will not be impaired by the Pledge Agreement.
- (5) Conduct a "commercially reasonable" private sale or other disposition of the Collateral although a higher price might have been obtained for it at a public sale under the Securities Act of 1933, as amended, or in compliance with any other applicable laws or regulations. Secured Party's notice of the time and place of public sale of the Collateral, or the time on or after which a private sale or other disposition of the collateral will be made, is reasonable if sent to Debtor in the manner for giving notice at least five days before the public private sale.

#### Section 11. MISCELLANEOUS

Collection Fees: Debtor will pay all costs and expenses of collection, including reasonable attorney's fees.

Waiver by Secured Party: No waiver by Secured Party of any breach or default will be a waiver of any breach or default occurring later. A waiver will be valid only if it is in writing and signed by Secured Party.

Survival of Representations and Warranties: Debtor's representations and warranties made in this Pledge Agreement will survive its execution, delivery, and termination.

Assignment: This Pledge Agreement will bind and benefit the successors and assignees of the parties, but Debtor may not assign its rights under the agreement without Secured Party's prior written consent.

Attorney's Fees: If any action at law or in equity, including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to a reasonable attorney's fee,

which may be set by the court in the same action, or any separate action brought for that purpose, in addition to any relief to which such a party may be entitled.

Governing Law: This Pledge Agreement will be governed by the law of the State of Florida.

Entire Agreement: This Pledge Agreement is the entire agreement, and supercedes any prior agreement or understandings, between Secured Party and Debtor relating to the Collateral.

Notices: Notices under this Pledge Agreement are considered to be served three days after they are deposited in the United States mail, with prepaid first-class postage, addressed as follows:

To Debtor:  
Robert F. Shambro  
2033 Main Street, Suite 309  
Sarasota, Florida 34237

To Creditor  
Phoenix Capital  
Opportunity Fund, LP  
\_\_\_\_\_  
\_\_\_\_\_

Either Party may change their address for service of notice, by notice to the other.

WHEREFORE, by Debtor's signature hereto, the Debtor agrees to the above.

Robert F. Shambro

By: \_\_\_\_\_

## COMMERCIAL PROMISSORY NOTE

Borrower: Infinium Labs Inc., a Delaware corporation

Effective Date: June \_\_, 2004

\$ 1,500,000.00

Borrower promises to pay to the order of **Video Associates, L.L.C., a Florida limited liability company** (which together with its successors and assigns is called "Lender") at 240 S. Pineapple Avenue, 10<sup>th</sup> floor, Sarasota, FL 34236, the following:

The principal sum of One Million Five Hundred Thousand and No/100 Dollars (\$1,500,000.00) together with interest on such amount thereof as may be advanced from time to time is due on the dates described below:

### INTEREST RATE

The outstanding principal balance of this Note shall bear interest at the following per annum rate, to wit:

fifteen percent (15.0%)

The rate of interest shall be computed daily on the outstanding principal balance of this Note. Interest shall be payable monthly in arrears, and shall be computed on the basis of a 360-day year for actual days elapsed, and will commence accruing on the date of disbursement of funds to the Borrower.

### PAYMENTS

Principal and interest payments shall be made in the following manner:

Monthly installments of interest only shall be due and payable in arrears, commencing one month from the Effective Date hereof, until the earlier of the following: (i) twelve (12) months from the Effective Date hereof; or (ii) within sixty (60) days following the completion of the registration of the common stock of the Lender pursuant to form SB-2 filed with the Securities and Exchange Commission (the "Registration"), at which time all outstanding principal and accrued interest, if any, shall be due and payable in full. Notwithstanding the foregoing to the contrary, Borrower shall make a principal reduction on this Note in the amount of Seven Hundred Fifty Thousand and No/100 Dollars (\$750,000.00) within thirty (30) days of the Registration.

The disbursement of loan funds hereof shall be utilized for the purposes, and be subject to the limitations, set forth in that certain Financing Agreement entered into by and between Borrower and Lender, on even date herewith (the "Financing Agreement"), the terms and provisions of which are incorporated herein by reference.

#### **COLLATERAL**

This Note is secured and evidenced by, *inter alia*, the following specific collateral: All of that real and personal property as described in that certain Mortgage and Security Agreement to be executed and delivered by Timothy Roberts to Lender of even date herewith and that certain Collateral Assignment of Interest in Lease Agreement between Borrower and Theater Associates II, Ltd., a Florida limited partnership, of even date herewith, and that certain Security Agreement to be executed by Borrower and give to Lender of even date herewith. The obligation of each party liable under this Note may be enforced in any action to foreclose said Mortgage and Security Agreement, Collateral Assignment of Interest in Lease Agreement, Security Agreement, or by separate action hereon.

In the event of a default under that certain Promissory Note given by Timothy Roberts dated April 15, 2004 in the original principal amount of Three Hundred Thousand and No/100 Dollars (\$300,000.00) in favor of Daniel Kane, as Trustee for the Daniel Kane Revocable Trust under Agreement dated April 6, 1989; Stanley B. Kane, as Trustee for the Stanley B. Kane Revocable Trust under Agreement dated March 14, 1989, and Northern Trust Bank of Florida N.A., as Trustee for the David S. Band Rollover IRA u/a dated 2/18/92 (the "Roberts Note"); or the Mortgage and Security Agreement or any other loan document executed and delivered in conjunction with the Roberts Note, such default shall constitute a default hereunder, and in such event the entire principal balance evidenced hereby together with all accrued interest hereon shall become immediately due and payable in full.

In the event of a default under this Note, the Mortgage and Security Agreement, or the Financing Agreement referenced above (expressly excluding the Collateral Assignment of Interest in Lease Agreement), such default shall constitute a default under the Roberts Note, and in such event the entire principal balance evidenced by the Roberts Note, together with all accrued interest thereon shall become immediately due and payable in full.

#### **DEFAULT/DEFAULT INTEREST**

If this Note is not payable on demand, Lender may declare it immediately due and payable upon the occurrence of any of the following Events of Default: (i) when permitted under any security agreement or mortgage now or hereafter in effect securing payment hereof; or (ii) failure or omission of Maker to pay when due the Note (or any installment of principal or interest thereunder), upon not less than five (5) days written notice from Lender to Maker; or (iii) upon any default or Event of Default under the Financing Agreement and related loan documents executed and delivered by Borrower to Lender of even date herewith in connection with this Note or (iv) upon an event of default in any of the aforementioned collateral, or (v) the insolvency, bankruptcy, dissolution, death or incompetency of any Borrower, endorser or guarantor hereof. After maturity, whether by acceleration or otherwise, this Note shall bear interest at the highest rate allowed by law.

Any default by Borrower under any loan now existing or hereafter created with Lender shall be an event of default under this Note, and any default by Borrower under this Note shall constitute a default by Borrower under any loan now existing or hereafter created with Lender.



Notwithstanding anything herein to the contrary, the interest rate applicable to this Note shall at no time exceed the maximum rate permitted by applicable law whether now or hereafter in effect. All payments made hereunder shall be applied first to accrued interest then due and owing; next to amounts expended by Lender to cure any defaults under this Note, the Mortgage and Security Agreement referenced hereinabove, or any other loan documents executed in connection herewith; next charges, costs, expenses or attorneys' fees and paralegals' fees then due and payable to Lender under the Note, the Mortgage and Security Agreement or any other loan documents executed in connection herewith; and the balance, if any, to principal.

#### **LATE CHARGES**

If any payment hereunder (other than the final balloon payment) is not made within ten (10) days from its original due date, the undersigned shall pay to Lender a late charge equal to five percent (5%) of the delinquent payment. If Borrower has not filed an SB-2 Registration with the Securities and Exchange Commission on or before June 15, 2004, Borrower shall deliver to Lender either: (i) Seventy-five thousand Dollars (\$75,000); or (ii) Seventy-five thousand (75,000) shares of stock of the Borrower that shall be included in the SB-2 Registration, as determined by Lender in Lender's sole and absolute discretion. Lender shall inform Borrower of the method of payment, no later than seventy-five (75) days following June 23, 2004, and payment shall be due no later than fifteen days (15) thereafter.

#### **GENERAL TERMS**

This Note may be prepaid, in whole or in part, at any time without penalty.

Time is of the essence hereto.

Each Borrower, endorser and guarantor, jointly and severally; (i) promises to pay all collection costs, including a reasonable attorneys fee (which said term shall be inclusive of attorneys and paralegals fees), whether incurred in connection with collection, trial, appeal or otherwise; (ii) waives presentment, demand, notice of dishonor and protest; and (iii) gives the Lender a security interest in any funds or other assets from time to time on deposit with or in possession of the Lender, and the Lender may, at any time, set off the indebtedness evidenced by this Note against any such funds or other assets. In addition to any specific collateral listed herein, this Note is also secured by all collateral covered by any security agreement which by its terms covers this Note.

Lender has the right to accept partial payments after default and acceleration without waiving the acceleration. In the event Lender elects to renew this Note either as an alternative to accelerating the balance of this indebtedness, or prior to such acceleration, Borrower shall pay all costs and expenses incurred by Lender in connection with such renewal.

**Borrower, its successors and assigns, indemnify and agree to defend and hold Lender harmless against Florida documentary stamp and intangible taxes, if any, imposed upon Lender by virtue of its acceptance or ownership of this Note, and as from time to time further modified and restated, including any penalties, interest, and attorney's fees secured by the Collateral, and bear interest at the default rate**

provided in this Note from the date advanced by Lender until paid by Borrower. The provisions of this paragraph shall survive the repayment of this Note and the indebtedness evidenced thereby, and shall continue for so long as a claim may be asserted by the State of Florida or any of its agencies.

**LENDER AND BORROWER, UPON EXECUTION AND ACCEPTANCE HEREOF, HEREBY EACH KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS PROMISSORY NOTE AND/OR ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HERewith, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN), OR ACTIONS OF LENDER. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LENDER MAKING THE LOAN EVIDENCED BY THIS NOTE.**

Infinium Labs Inc., a Delaware Corporation

(corp. seal)

By: \_\_\_\_\_  
Timothy M. Roberts, as its President

Timothy Roberts, on this \_\_\_\_ day of June, 2004, hereby joins in this Promissory Note for the purpose of consenting to the cross-default and cross-collateralization set forth herein.

By: \_\_\_\_\_  
Timothy M. Roberts, individually

**COPY**

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY

**INFINIUM LABS, INC.**

**12% SECURED SUBORDINATED DEBENTURE**

No. 1  
\$1,000,000

Sarasota, Florida  
February 23, 2004

This Debenture is one of a duly authorized issue of Debentures (the "Issue") of Infinium Labs, Inc. in the aggregate principal amount of Four Million Dollars (\$4,000,000).

**FOR VALUE RECEIVED**, the undersigned, INFINIUM LABS, INC., a Delaware corporation (the "Company"), having a principal place of business located at 2033 Main Street, Suite 309, Sarasota, Florida 34237, hereby promises to pay to Gary Kurfirst ("Holder"), having an address of 466 Scarborough Road, Briarcliffe, New York 10510-2020, the principal amount of One Million Dollars (\$1,000,000) with interest thereon, in lawful money of the United States, on the terms set forth in Section 1 of this Debenture (the "Debenture"). As additional consideration, the Holder shall also receive 13,500 shares of common stock par value \$.001. The shares shall be restricted and bear the following restrictive legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR ANY OTHER APPLICABLE LAW (THE "LAW") AND MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF EXCEPT IN COMPLIANCE WITH THE REQUIREMENTS OF THE ACT OR LAW OR PURSUANT TO AN EXEMPTION THEREFROM AND UNTIL THE CORPORATION SHALL HAVE RECEIVED THE WRITTEN OPINION OF COUNSEL TO THE CORPORATION TO THAT EFFECT."

1. Payments of Interest and Principal.

(a) The outstanding principal balance of this Debenture shall be due and payable on the earlier of (i) sixty (60) days from the date the Company's registration statement filed on Form SB-2 is declared effective by the Securities and Exchange Commission; (ii) the Company receives an equity investment of not less than Fifteen Million Dollars (\$15,000,000); or twelve (12) months from the date of this Debenture (the "Maturity Date").

(b) From the date hereof through the Maturity Date, interest on the unpaid principal balance hereof outstanding from time to time shall bear interest at the rate of twelve percent (12%) per annum. The Interest shall be payable on the first business day of each month commencing on April 1, 2004 and continuing each month thereafter until the obligations described herein have been fully satisfied.

(c) If the Company should fail to pay any installment of principal or interest, or other amounts payable pursuant to this Debenture, within ten (10) days when due, including when due as a result of acceleration or if Holder should for any reason be required to pay over any amount collected on this Debenture to another creditor of the Company, the Company shall pay additional interest on all such defaulted amounts at the lesser of the then applicable interest rate plus two percent (2%) per annum or the maximum rate permitted by law from the date of default to the date of payment. Amounts payable under this Section shall be payable on demand.

(d) All amounts payable hereunder shall be made by the Company by wire transfer or by any other method approved in advance by Holder at the place designated by Holder in writing to the Company in immediately available and freely transferable funds at such place of payment.

2. Security Interest. The Company grants to Holder and each other holder of Debentures in this Issue a present security interest in all of the Company's assets to secure the Company's debts, liabilities and obligations under the Issue of Debentures. The Company shall execute and deliver to the Holder and each other holder of Debentures in this Issue a Security Agreement in a commercially reasonable form requested by the Holder and such other holders and such financing statements and other papers as may be necessary or appropriate to establish and maintain a valid security interest in the Company's assets. The Company shall pay all costs of any filings of financing statements or other papers. In addition, Timothy Roberts, CEO of the Company, agrees to pledge an amount of his shares of common stock of the Company equal to the principal amount of this Debenture divided by \$6.50 as further security for the obligations of the Company described herein.

3. Subordination.

(a) The Parties hereto agree that the payment of the principal of, and interest on, this Debenture is expressly subordinated to the payment of all Senior Indebtedness, to the extent and subject to the conditions set forth in this Section 3. As used herein, the term "Senior Indebtedness" shall mean the principal of, the interest on and the premium, if any, on all indebtedness of the Company for money borrowed by it from any bank, insurance company or other financial institution, and all renewals, extensions and refundings of any such indebtedness, whether such indebtedness shall have been incurred prior to, on or subsequent to the date hereof, unless by the terms of the instrument creating or evidencing any such indebtedness it is provided that such indebtedness is not to be considered Senior Indebtedness for the purpose of this Debenture.

(b) No interest or principal shall be paid on the Debenture without the consent of the holder of all outstanding Senior Indebtedness if, at the date fixed herein for such interest or principal payment, the Company shall be in default of payment of principal or interest upon such Senior Indebtedness. In the event any payment of interest hereunder shall be prohibited pursuant to this Section 3(b), such interest and principal payment shall be deemed to be deferred until the cure of all defaults in payment of principal or interest upon the Senior Indebtedness, and the interest and principal payments hereon so deferred shall immediately become due and payable, without any interest thereon, upon the cure of such defaults.

(c) The Parties hereto agree that the lien of the security interest granted to the Holder and other holders of this Issue of Debentures is expressly subordinated to the lien of the security interest granted to the holder of the Senior Indebtedness.

(d) The Company and the Holder covenant and agree to execute and deliver to the holder of the Senior Indebtedness a commercially reasonable form of Subordination Agreement which is consistent with the terms of this Section 3.

4. Covenants. The Company covenants and agrees that so long as the Debenture is outstanding and until all principal and accrued interest and other amounts due hereunder have been paid in full, unless otherwise consented to by the Holder in writing:

(a) The Company shall not take any action to dissolve and shall not sell any significant asset or assets (whether in one or more transactions) for less than fair and valuable consideration;

(b) The Company shall not be a party to a merger or consolidation in which the Company is not the surviving entity, other than

mergers or similar transactions accomplished solely to change the Company's form or jurisdiction of organization.

(c) The Company shall not divest, sell, assign, convey or dispose of any assets of the Company outside the ordinary course of business other than for fair and valuable consideration.

(d) Within sixty (60) days after the end of each fiscal quarter, the Company shall furnish to the Holder audited quarterly financial statements for the Company and its subsidiaries consisting of consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows, prepared in accordance with generally accepted accounting principles in the United States, consistently applied.

#### 5. Default and Remedies.

(a) The following events shall constitute events of default (any of which is referred to as an "Event of Default") under this Debenture:

(i) The Company fails to make any payment of interest, principal or any other amounts, when due under this Debenture for thirty (30) days after the payment is due to the Holder;

(ii) The Company fails to perform any term, covenant or agreement contained in this Debenture or the Security Agreement and such failure is not cured within thirty (30) days after receipt by the Company of notice of such failure;

(iii) The Company fails to make any payment of any principal or interest on any other indebtedness, not in dispute, equal to or exceeding \$30,000 (including, but not limited to, Senior Indebtedness) which results in the acceleration of the maturity of such indebtedness;

(iv) The Company shall commence a voluntary case concerning itself under the Bankruptcy Code in Title 11 of the United States Code (as amended, modified, succeeded or replaced, from time to time, the "Bankruptcy Code"); or an involuntary case is commenced against the Company under the Bankruptcy Code and the petition is not dismissed within ninety (90) days after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of all or substantially all of the property of the Company; or the Company commences any other proceeding under any reorganization, arrangement, adjustment of the debt, relief of creditors, dissolution, insolvency or similar law of any jurisdiction whether now or hereafter in effect relating to the Company; or there is commenced against the Company any such proceeding which remains undismissed for a period of ninety (90) days; or the Company is adjudicated insolvent or bankrupt; or any order of relief or

other order approving any such case or proceeding is entered; or the Company suffers appointment of any custodian or the like for it or for any substantial part of its property to continue unchanged or unstayed for a period of ninety (90) days; or the Company makes a general assignment for the benefit of creditors; or any corporate action is taken by the Company for the purpose of effecting any of the foregoing; or

(v) One or more judgments shall be entered against the Company involving a liability of One Hundred Thousand Dollars (\$100,000) or more in the aggregate for all such judgments for the Company collectively and any such judgments shall not have been vacated, discharged or stayed or bonded pending appeal within sixty (60) days from the entry thereof.

(b) Upon the occurrence of any Event of Default, and at any time thereafter, the Holder may take any of the following actions without prejudice to the rights of the Holder to enforce its claims against the Company except as otherwise specifically provided for herein:

(i) declare the unpaid principal and any accrued and unpaid interest in respect of this Debenture to be due, whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company;

(ii) reduce any claim to judgment;

(iii) without notice of default or demand, pursue and enforce any of the Holder's rights and remedies under this Debenture, or otherwise provided under or pursuant to any applicable law or agreement, including without limitation all rights and remedies available to Holder as a secured party under the Security Agreement and under the Uniform Commercial Code as enacted in the State of Delaware.

(c) If any amount, whether principal, interest or other payment, on this Debenture is not paid when due, the Company shall pay all fees and costs of collection, including, but not limited to, reasonable attorneys fees incurred by the Holder, whether or not suit is filed hereon. The rights and remedies of the Holder as provided in this Debenture shall be cumulative and may be pursued singly, successively, or together.

6. Maximum Interest. All agreements between the Company and the Holder are expressly limited so that in no contingency or event shall the amount paid or agreed to be paid to the Holder for the use, forbearance or detention of the money to be loaned hereunder exceed the maximum amount permissible under the applicable federal and state usury laws. It is therefore the intention of the Company and the Holder to conform strictly to state and federal usury laws applicable to this loan and to limit the interest paid on this Debenture to the

amount herein stated or the highest rate of interest according to law, whichever is the lesser. Therefore, in this Debenture or in any of the documents relating hereto, the aggregate of all interest or any other charges constituting interest under the applicable law contracted for, chargeable, or receivable under this Debenture or otherwise in connection with this Debenture shall under no circumstances exceed the maximum amount of interest permitted by law. If any excess of interest in such respect is provided for or shall be adjudicated to be so provided for in this Debenture or in any of the documents securing payment hereof or otherwise relating hereto, then in such event:

(a) The provisions of this Section 6 shall govern and control;

(b) Neither the Company, its successors or assigns nor any other party liable for the payment hereof shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum permitted by law;

(c) Any excess of said interest shall be deemed a mistake and is hereby canceled automatically and if theretofore paid, shall at the option of the Holder be refunded to the Company or, to the extent permitted by law, credited to the principal amount of said Debenture as a prepayment; and

(d) The effective rate of interest shall be automatically subject to reduction to the maximum lawful contract rate allowed under said law as is now or may hereinafter be construed by courts of appropriate jurisdiction and to the extent permitted by law, the determination of the rate of interest shall be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan, all interest at any time contracted for, charged or received from the Company in connection with said loan.

7. Waiver. The Company hereby waives presentment, demand for payment, notice of dishonor or acceleration, protest and notice of protest, and any and all other notices or demands in connection with the delivery, acceptance, performance, default or enforcement of this Debenture, excepting any notice requirements specifically set forth herein.

8. Governing Law. This Debenture and the rights and obligations of the parties hereunder shall be governed by and construed and interpreted in accordance with the laws of the State of Florida without giving effect to principles of conflict of laws contained therein.

9. Notices. All notices which either party may be required or desire to give to any other party shall be in writing and shall be given by personal service, telecopy, registered mail or certified mail (or its equivalent), or overnight courier to the other party at its respective address first above written. Mailed notices and notices by overnight courier shall be deemed to be given upon actual receipt by the party to be notified. Notices delivered by telecopy shall be confirmed in



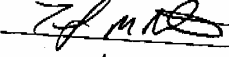
writing by overnight courier and shall be deemed to be given upon actual receipt by the party to be notified. A party may change its address or addresses set forth above by giving the other parties notice of the change in accordance with the provisions of this section.

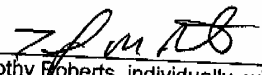
10. Headings. The headings of the sections of this Debenture are inserted for convenience only and do not constitute a part of this Debenture.

11. Assignment. This Debenture and the rights and obligations herein may not be assigned by the Company without the prior written consent of the Holder.


IN WITNESS WHEREOF, the Company has caused this Debenture to be signed in its corporate name by its duly authorized officer, and to be dated the day and year first above written.

INFINIUM LABS, INC.

By:   
Name: Timothy M. Roberts  
Its: Chairman, CEO

  
Timothy Roberts, individually, with respect to  
Section 2 of this Debenture

Accepted and agreed:

GARY KURFIEST  
By:   
Name: GARY KURFIEST  
Its: INDIVIDUALLY  
Dated: 2/23/04

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY

**SBI USA, LLC**

**15% SECURED SUBORDINATED DEBENTURE**

No. 1  
\$350,000

Newport Beach, California  
May 28, 2004

This Debenture of SBI USA, LLC is in the principal amount of Three Hundred Fifty Thousand Dollars (\$350,000).

**FOR VALUE RECEIVED**, the undersigned, SBI USA, LLC, a (the "Company"), having a principal place of business located at 610 Newport Center Drive, Suite 1205, Newport Beach, California 92660, hereby promises to pay to Phoenix Capital Opportunity Fund, LP ("Holder"), having an office for doing business at 2 North Tamiami Trail, Sarasota, Florida 34236, the principal amount of Three Hundred Fifty Thousand Dollars (\$350,000) with interest thereon, in lawful money of the United States, on the terms set forth in Section 1 of this Debenture (the "Debenture"). As additional consideration, the Holder shall also receive 33,000 shares of Infinium Labs, Inc.'s common stock, par value \$.001. The shares shall be restricted and bear the following restrictive legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR ANY OTHER APPLICABLE LAW (THE "LAW") AND MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF EXCEPT IN COMPLIANCE WITH THE REQUIREMENTS OF THE ACT OR LAW OR PURSUANT TO AN EXEMPTION THEREFROM AND UNTIL THE CORPORATION SHALL HAVE RECEIVED THE WRITTEN OPINION OF COUNSEL TO THE CORPORATION TO THAT EFFECT."

1. Payments of Interest and Principal.

(a) The outstanding principal balance of this Debenture shall be due and payable sixty-five (65) days from the date of this Debenture (the "Maturity Date").

(b) From the date hereof through the Maturity Date, interest on the unpaid principal balance hereof outstanding from time to time shall bear interest at the rate of fifteen percent (15%) per annum. The interest shall be payable on the Maturity Date.

(c) If the Company should fail to pay any installment of principal or interest, or other amounts payable pursuant to this Debenture, within ten (10) days when due, including when due as a result of acceleration or if Holder should for any reason be required to pay over any amount collected on this Debenture to another creditor of the Company, the Company shall pay additional interest on all such defaulted amounts at the lesser of the then applicable interest rate plus two percent (2%) per annum or the maximum rate permitted by law from the date of default to the date of payment. Amounts payable under this Section shall be payable on demand.

(d) All amounts payable hereunder shall be made by the Company by wire transfer or by any other method approved in advance by Holder at the place designated by Holder in writing to the Company in immediately available and freely transferable funds at such place of payment.

(e) The Company agrees to pay PCOF Partners, LLC a \$5,000 origination fee on this Debenture.

2. Pledge. As security for this Debenture, the Company hereby pledges 300,000 shares of common stock of Perfisans Holdings, Inc. as more fully described in the Pledge Agreement dated of even date herewith.

3. Subordination.

(a) The Parties hereto agree that the payment of the principal of, and interest on, this Debenture is expressly subordinated to the payment of all Senior Indebtedness, to the extent and subject to the conditions set forth in this Section 3. As used herein, the term "Senior Indebtedness" shall mean the principal of, the interest on and the premium, if any, on all indebtedness of the Company for money borrowed by it from any bank, insurance company or other financial institution, and all renewals, extensions and refundings of any such indebtedness, whether such indebtedness shall have been incurred prior to, on or subsequent to the date hereof, unless by the terms of the instrument creating or evidencing any such indebtedness it is provided that such indebtedness is not to be considered Senior Indebtedness for the purpose of this Debenture.

R747920.1

(i) declare the unpaid principal and any accrued and unpaid interest in respect of this Debenture to be due, whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company;

(ii) reduce any claim to judgment;

(iii) without notice of default or demand, pursue and enforce any of the Holder's rights and remedies under this Debenture, or otherwise provided under or pursuant to any applicable law or agreement, including without limitation all rights and remedies available to Holder as a secured party under the Security Agreement and under the Uniform Commercial Code as enacted in the State of Delaware.

(c) If any amount, whether principal, interest or other payment, on this Debenture is not paid when due, the Company shall pay all fees and costs of collection, including, but not limited to, reasonable attorneys fees incurred by the Holder, whether or not suit is filed hereon. The rights and remedies of the Holder as provided in this Debenture shall be cumulative and may be pursued singly, successively, or together.

6. Maximum Interest. All agreements between the Company and the Holder are expressly limited so that in no contingency or event shall the amount paid or agreed to be paid to the Holder for the use, forbearance or detention of the money to be loaned hereunder exceed the maximum amount permissible under the applicable federal and state usury laws. It is therefore the intention of the Company and the Holder to conform strictly to state and federal usury laws applicable to this loan and to limit the interest paid on this Debenture to the amount herein stated or the highest rate of interest according to law, whichever is the lesser. Therefore, in this Debenture or in any of the documents relating hereto, the aggregate of all interest or any other charges constituting interest under the applicable law contracted for, chargeable, or receivable under this Debenture or otherwise in connection with this Debenture shall under no circumstances exceed the maximum amount of interest permitted by law. If any excess of interest in such respect is provided for or shall be adjudicated to be so provided for in this Debenture or in any of the documents securing payment hereof or otherwise relating hereto, then in such event:

(a) The provisions of this Section 6 shall govern and control;

(b) Neither the Company, its successors or assigns nor any other party liable for the payment hereof shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum permitted by law;

(c) Any excess of said interest shall be deemed a mistake and is hereby canceled automatically and if theretofore paid, shall at the option of the Holder be refunded to the Company or, to the extent permitted by law, credited to the principal amount of said Debenture as a prepayment; and

(d) The effective rate of interest shall be automatically subject to reduction to the maximum lawful contract rate allowed under said law as is now or may hereinafter be construed by courts of appropriate jurisdiction and to the extent permitted by law, the determination of the rate of interest shall be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan, all interest at any time contracted for, charged or received from the Company in connection with said loan.

7. Waiver. The Company hereby waives presentment, demand for payment, notice of dishonor or acceleration, protest and notice of protest, and any and all other notices or demands in connection with the delivery, acceptance, performance, default or enforcement of this Debenture, excepting any notice requirements specifically set forth herein.

8. Governing Law. This Debenture and the rights and obligations of the parties hereunder shall be governed by and construed and interpreted in accordance with the laws of the State of California without giving effect to principles of conflict of laws contained therein.

9. Notices. All notices which either party may be required or desire to give to any other party shall be in writing and shall be given by personal service, telecopy, registered mail or certified mail (or its equivalent), or overnight courier to the other party at its respective address first above written. Mailed notices and notices by overnight courier shall be deemed to be given upon actual receipt by the party to be notified. Notices delivered by telecopy shall be confirmed in writing by overnight courier and shall be deemed to be given upon actual receipt by the party to be notified. A party may change its address or addresses set forth above by giving the other parties notice of the change in accordance with the provisions of this section.

10. Headings. The headings of the sections of this Debenture are inserted for convenience only and do not constitute a part of this Debenture.

11. Assignment. This Debenture and the rights and obligations herein may not be assigned by the Company without the prior written consent of the Holder.

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

Pledgor:

SBI USA, LLC

By: 

Address:

610 Newport Center Drive, Suite 1205  
Newport Beach, California 92660

Pledgee:

PHOENIX CAPITAL OPPORTUNITY FUND, LP

By: 

Address:

2 North Tamiami Trail  
Sarasota, Florida 34236

Signature Page  
to  
Stock Pledge Agreement

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY

**INFINIUM LABS, INC.**

**15% SECURED DEBENTURE**

No. 1  
\$500,000

Sarasota, Florida  
April 8, 2004  
7

**FOR VALUE RECEIVED**, the undersigned, INFINIUM LABS, INC., a Delaware corporation (the "Company"), having a principal place of business located at 2033 Main Street, Suite 309, Sarasota, Florida 34237, hereby promises to pay to Ronald Westman ("Holder"), having an office for doing business at 2033 Main Street, Sarasota, Florida, 34237, the principal amount of Five Hundred Thousand Dollars (\$500,000) with interest thereon, in lawful money of the United States, on the terms set forth in Section 1 of this Debenture (the "Debenture"). As additional consideration, the Holder shall also receive 50,000 shares of Infinium Labs Stock with "piggyback" rights of registration upon the filing and acceptance of a formal registration statement with the Securities and Exchange Commission. Until such time, the shares shall be restricted and bear the following restrictive legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR ANY OTHER APPLICABLE LAW (THE "LAW") AND MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF EXCEPT IN COMPLIANCE WITH THE REQUIREMENTS OF THE ACT OR LAW OR PURSUANT TO AN EXEMPTION THEREFROM AND UNTIL THE CORPORATION SHALL HAVE RECEIVED THE WRITTEN OPINION OF COUNSEL TO THE CORPORATION TO THAT EFFECT."



1. Payments of Interest and Principal.

(a) The outstanding principal balance of this Debenture shall be due and payable on the earlier of (i) sixty (60) days from the date the Company's registration statement filed on Form SB-2 is declared effective by the Securities and Exchange Commission or (ii) the Company receives an equity investment of not less than Fifteen Million Dollars (\$15,000,000); or December 15, 2004 (the "Maturity Date").

(b) From the date hereof through the Maturity Date, interest on the unpaid principal balance hereof outstanding from time to time shall bear interest at the rate of fifteen percent (15%) per annum. The Interest shall be payable on the first business day of each month commencing on June 1, 2004 and continuing each month thereafter until the obligations described herein have been fully satisfied. In the event of satisfaction of this Debenture within ninety (90) days of the date hereof, the Holder shall be entitled to receive interest as provided herein for a period of not less than ninety (90) days.

(c) If the Company should fail to pay any installment of principal or interest, or other amounts payable pursuant to this Debenture, within ten (10) days when due, including when due as a result of acceleration or if Holder should for any reason be required to pay over any amount collected on this Debenture to another creditor of the Company, the Company shall pay additional interest on all such defaulted amounts at the lesser of the then applicable interest rate plus two percent (2%) per annum or the maximum rate permitted by law from the date of default to the date of payment. Amounts payable under this Section shall be payable on demand.

(d) All amounts payable hereunder shall be made by the Company by wire transfer or by any other method approved in advance by Holder at the place designated by Holder in writing to the Company in immediately available and freely transferable funds at such place of payment.

2. Security Interest. The Company grants to Holder and each other holder of Debentures in this Issue a present security interest in all of the Company's assets to secure the Company's debts, liabilities and obligations under the Issue of Debentures. The Company shall execute and deliver to the Holder and each other holder of Debentures in this Issue a Security Agreement in a commercially reasonable form requested by the Holder and such other holders and such financing statements and other papers as may be necessary or appropriate to establish and maintain a valid security interest in the Company's assets. The Company shall pay all costs of any filings of financing statements or other papers.

3. This Section Intentionally Deleted

4. Covenants. The Company covenants and agrees that so long as the Debenture is outstanding and until all principal and accrued interest and other amounts due hereunder have been paid in full, unless otherwise consented to by the Holder in writing:

(a) The Company shall not take any action to dissolve and shall not sell any significant asset or assets (whether in one or more transactions) for less than fair and valuable consideration;

(b) The Company shall not be a party to a merger or consolidation in which the Company is not the surviving entity, other than mergers or similar transactions accomplished solely to change the Company's form or jurisdiction of organization.

(c) The Company shall not divest, sell, assign, convey or dispose of any assets of the Company outside the ordinary course of business other than for fair and valuable consideration.

(d) Within sixty (60) days after the end of each fiscal quarter, the Company shall furnish to the Holder audited quarterly financial statements for the Company and its subsidiaries consisting of consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows, prepared in accordance with generally accepted accounting principles in the United States, consistently applied.

5. Default and Remedies.

(a) The following events shall constitute events of default (any of which is referred to as an "Event of Default") under this Debenture:

(i) The Company fails to make any payment of interest, principal or any other amounts, when due under this Debenture for thirty (30) days after the payment is due to the Holder;

(ii) The Company fails to perform any term, covenant or agreement contained in this Debenture or the Security Agreement and such failure is not cured within thirty (30) days after receipt by the Company of notice of such failure;

(iii) The Company fails to make any payment of any principal or interest on any other indebtedness, not in dispute, equal to or exceeding \$30,000 (including, but not limited to, Senior Indebtedness) which results in the acceleration of the maturity of such indebtedness;

(iv) The Company shall commence a voluntary case concerning itself under the Bankruptcy Code in Title 11 of the United States Code (as amended, modified, succeeded or replaced, from time to time, the "Bankruptcy Code"); or an involuntary case is commenced against the Company under the Bankruptcy Code and the petition is not dismissed within ninety (90) days after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of all or substantially all of the property of the Company; or the Company commences any other proceeding under any reorganization, arrangement, adjustment of the debt, relief of creditors, dissolution, insolvency or similar law of any jurisdiction whether now or hereafter in effect relating to the Company; or there is commenced against the Company any such proceeding which remains undismissed for a period of ninety (90) days; or the Company is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Company suffers appointment of any custodian or the like for it or for any substantial part of its property to continue unchanged or unstayed for a period of ninety (90) days; or the Company makes a general assignment for the benefit of creditors; or any corporate action is taken by the Company for the purpose of effecting any of the foregoing; or

(v) One or more judgments shall be entered against the Company involving a liability of One Hundred Thousand Dollars (\$100,000) or more in the aggregate for all such judgments for the Company collectively and any such judgments shall not have been vacated, discharged or stayed or bonded pending appeal within sixty (60) days from the entry thereof.

(b) Upon the occurrence of any Event of Default, and at any time thereafter, the Holder may take any of the following actions without prejudice to the rights of the Holder to enforce its claims against the Company except as otherwise specifically provided for herein:

(i) declare the unpaid principal and any accrued and unpaid interest in respect of this Debenture to be due, whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company;

(ii) reduce any claim to judgment;

(iii) without notice of default or demand, pursue and enforce any of the Holder's rights and remedies under this Debenture, or otherwise provided under or pursuant to any applicable law or agreement, including without limitation all rights and remedies available to Holder as a secured party under the Security Agreement and under the Uniform Commercial Code as enacted in the State of Delaware.

(c) If any amount, whether principal, interest or other payment, on this Debenture is not paid when due, the Company shall pay all fees and costs of collection, including, but not limited to, reasonable attorneys fees incurred by the Holder, whether or not suit is filed hereon. The rights and remedies of the Holder as provided in this Debenture shall be cumulative and may be pursued singly, successively, or together.

6. Maximum Interest. All agreements between the Company and the Holder are expressly limited so that in no contingency or event shall the amount paid or agreed to be paid to the Holder for the use, forbearance or detention of the money to be loaned hereunder exceed the maximum amount permissible under the applicable federal and state usury laws. It is therefore the intention of the Company and the Holder to conform strictly to state and federal usury laws applicable to this loan and to limit the interest paid on this Debenture to the amount herein stated or the highest rate of interest according to law, whichever is the lesser. Therefore, in this Debenture or in any of the documents relating hereto, the aggregate of all interest or any other charges constituting interest under the applicable law contracted for, chargeable, or receivable under this Debenture or otherwise in connection with this Debenture shall under no circumstances exceed the maximum amount of interest permitted by law. If any excess of interest in such respect is provided for or shall be adjudicated to be so provided for in this Debenture or in any of the documents securing payment hereof or otherwise relating hereto, then in such event:

(a) The provisions of this Section 6 shall govern and control;

(b) Neither the Company, its successors or assigns nor any other party liable for the payment hereof shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum permitted by law;

(c) Any excess of said interest shall be deemed a mistake and is hereby canceled automatically and if theretofore paid, shall at the option of the Holder be refunded to the Company or, to the extent permitted by law, credited to the principal amount of said Debenture as a prepayment; and

(d) The effective rate of interest shall be automatically subject to reduction to the maximum lawful contract rate allowed under said law as is now or may hereinafter be construed by courts of appropriate jurisdiction and to the extent permitted by law, the determination of the rate of interest shall be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan, all interest at any time contracted for, charged or received from the Company in connection with said loan.

7. Waiver. The Company hereby waives presentment, demand for payment, notice of dishonor or acceleration, protest and notice of protest, and any and all other notices or demands in connection with the delivery, acceptance,

performance, default or enforcement of this Debenture, excepting any notice requirements specifically set forth herein.

8. Governing Law. This Debenture and the rights and obligations of the parties hereunder shall be governed by and construed and interpreted in accordance with the laws of the State of Florida without giving effect to principles of conflict of laws contained therein.

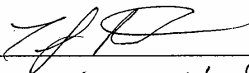
9. Notices. All notices which either party may be required or desire to give to any other party shall be in writing and shall be given by personal service, telecopy, registered mail or certified mail (or its equivalent), or overnight courier to the other party at its respective address first above written. Mailed notices and notices by overnight courier shall be deemed to be given upon actual receipt by the party to be notified. Notices delivered by telecopy shall be confirmed in writing by overnight courier and shall be deemed to be given upon actual receipt by the party to be notified. A party may change its address or addresses set forth above by giving the other parties notice of the change in accordance with the provisions of this section.

10. Headings. The headings of the sections of this Debenture are inserted for convenience only and do not constitute a part of this Debenture.

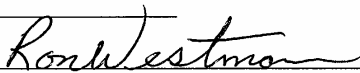
11. Assignment. This Debenture and the rights and obligations herein may not be assigned by the Company without the prior written consent of the Holder.

**IN WITNESS WHEREOF**, the Company has caused this Debenture to be signed in its corporate name by its duly authorized officer, and to be dated the day and year first above written.

**INFINIUM LABS, INC.**

By:   
Name: Timothy M. Roberts  
Its: CEO/Chairman

**Accepted and agreed:**

By:   
Name: Ron Westman  
Its: \_\_\_\_\_  
Dated: 4/7/08

**COPY**

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY

**INFINIUM LABS, INC.**

**12% SECURED SUBORDINATED DEBENTURE**

No. 2  
\$500,000

Sarasota, Florida  
February 23, 2004

This Debenture is one of a duly authorized issue of Debentures (the "Issue") of Infinium Labs, Inc. in the aggregate principal amount of Four Million Dollars (\$4,000,000).

**FOR VALUE RECEIVED**, the undersigned, INFINIUM LABS, INC., a Delaware corporation (the "Company"), having a principal place of business located at 2033 Main Street, Suite 309, Sarasota, Florida 34237, hereby promises to pay to Contare Ventures, LLC ("Holder"), having an office for doing business at 1314 University Drive, Menlo Park, California 94025, the principal amount of Five Hundred Thousand Dollars (\$500,000) with interest thereon, in lawful money of the United States, on the terms set forth in Section 1 of this Debenture (the "Debenture"). As additional consideration, the Holder shall also receive 7,000 shares of common stock par value \$.001. The shares shall be restricted and bear the following restrictive legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR ANY OTHER APPLICABLE LAW (THE "LAW") AND MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF EXCEPT IN COMPLIANCE WITH THE REQUIREMENTS OF THE ACT OR LAW OR PURSUANT TO AN EXEMPTION THEREFROM AND UNTIL THE CORPORATION SHALL HAVE RECEIVED THE WRITTEN OPINION OF COUNSEL TO THE CORPORATION TO THAT EFFECT."

1. Payments of Interest and Principal.

(a) The outstanding principal balance of this Debenture shall be due and payable on the earlier of (i) sixty (60) days from the date the Company's registration statement filed on Form SB-2 is declared effective by the Securities and Exchange Commission; (ii) the Company receives an equity investment of not less than Fifteen Million Dollars (\$15,000,000); or twelve (12) months from the date of this Debenture (the "Maturity Date").

(b) From the date hereof through the Maturity Date, interest on the unpaid principal balance hereof outstanding from time to time shall bear interest at the rate of twelve percent (12%) per annum. The Interest shall be payable on the first business day of each month commencing on April 1, 2004 and continuing each month thereafter until the obligations described herein have been fully satisfied.

(c) If the Company should fail to pay any installment of principal or interest, or other amounts payable pursuant to this Debenture, within ten (10) days when due, including when due as a result of acceleration or if Holder should for any reason be required to pay over any amount collected on this Debenture to another creditor of the Company, the Company shall pay additional interest on all such defaulted amounts at the lesser of the then applicable interest rate plus two percent (2%) per annum or the maximum rate permitted by law from the date of default to the date of payment. Amounts payable under this Section shall be payable on demand.

(d) All amounts payable hereunder shall be made by the Company by wire transfer or by any other method approved in advance by Holder at the place designated by Holder in writing to the Company in immediately available and freely transferable funds at such place of payment.

2. Security Interest. The Company grants to Holder and each other holder of Debentures in this Issue a present security interest in all of the Company's assets to secure the Company's debts, liabilities and obligations under the Issue of Debentures. The Company shall execute and deliver to the Holder and each other holder of Debentures in this Issue a Security Agreement in a commercially reasonable form requested by the Holder and such other holders and such financing statements and other papers as may be necessary or appropriate to establish and maintain a valid security interest in the Company's assets. The Company shall pay all costs of any filings of financing statements or other papers. In addition, Timothy Roberts, CEO of the Company, agrees to pledge an amount of his shares of common stock of the Company equal to the principal amount of this Debenture divided by \$6.50 as further security for the obligations of the Company described herein.



3. Subordination.

(a) The Parties hereto agree that the payment of the principal of, and interest on, this Debenture is expressly subordinated to the payment of all Senior Indebtedness, to the extent and subject to the conditions set forth in this Section 3. As used herein, the term "Senior Indebtedness" shall mean the principal of, the interest on and the premium, if any, on all indebtedness of the Company for money borrowed by it from any bank, insurance company or other financial institution, and all renewals, extensions and refundings of any such indebtedness, whether such indebtedness shall have been incurred prior to, on or subsequent to the date hereof, unless by the terms of the instrument creating or evidencing any such indebtedness it is provided that such indebtedness is not to be considered Senior Indebtedness for the purpose of this Debenture.

(b) No interest or principal shall be paid on the Debenture without the consent of the holder of all outstanding Senior Indebtedness if, at the date fixed herein for such interest or principal payment, the Company shall be in default of payment of principal or interest upon such Senior Indebtedness. In the event any payment of interest hereunder shall be prohibited pursuant to this Section 3(b), such interest and principal payment shall be deemed to be deferred until the cure of all defaults in payment of principal or interest upon the Senior Indebtedness, and the interest and principal payments hereon so deferred shall immediately become due and payable, without any interest thereon, upon the cure of such defaults.

(c) The Parties hereto agree that the lien of the security interest granted to the Holder and other holders of this Issue of Debentures is expressly subordinated to the lien of the security interest granted to the holder of the Senior Indebtedness.

(d) The Company and the Holder covenant and agree to execute and deliver to the holder of the Senior Indebtedness a commercially reasonable form of Subordination Agreement which is consistent with the terms of this Section 3.

4. Covenants. The Company covenants and agrees that so long as the Debenture is outstanding and until all principal and accrued interest and other amounts due hereunder have been paid in full, unless otherwise consented to by the Holder in writing:

(a) The Company shall not take any action to dissolve and shall not sell any significant asset or assets (whether in one or more transactions) for less than fair and valuable consideration;

(b) The Company shall not be a party to a merger or consolidation in which the Company is not the surviving entity, other than

mergers or similar transactions accomplished solely to change the Company's form or jurisdiction of organization.

(c) The Company shall not divest, sell, assign, convey or dispose of any assets of the Company outside the ordinary course of business other than for fair and valuable consideration.

(d) Within sixty (60) days after the end of each fiscal quarter, the Company shall furnish to the Holder audited quarterly financial statements for the Company and its subsidiaries consisting of consolidated balance sheets, consolidated statements of operations and consolidated statements of cash flows, prepared in accordance with generally accepted accounting principles in the United States, consistently applied.

5. Default and Remedies.

(a) The following events shall constitute events of default (any of which is referred to as an "Event of Default") under this Debenture:

(i) The Company fails to make any payment of interest, principal or any other amounts, when due under this Debenture for thirty (30) days after the payment is due to the Holder;

(ii) The Company fails to perform any term, covenant or agreement contained in this Debenture or the Security Agreement and such failure is not cured within thirty (30) days after receipt by the Company of notice of such failure;

(iii) The Company fails to make any payment of any principal or interest on any other indebtedness, not in dispute, equal to or exceeding \$30,000 (including, but not limited to, Senior Indebtedness) which results in the acceleration of the maturity of such indebtedness;

(iv) The Company shall commence a voluntary case concerning itself under the Bankruptcy Code in Title 11 of the United States Code (as amended, modified, succeeded or replaced, from time to time, the "Bankruptcy Code"); or an involuntary case is commenced against the Company under the Bankruptcy Code and the petition is not dismissed within ninety (90) days after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of all or substantially all of the property of the Company; or the Company commences any other proceeding under any reorganization, arrangement, adjustment of the debt, relief of creditors, dissolution, insolvency or similar law of any jurisdiction whether now or hereafter in effect relating to the Company; or there is commenced against the Company any such proceeding which remains undismissed for a period of ninety (90) days; or the Company is adjudicated insolvent or bankrupt; or any order of relief or

other order approving any such case or proceeding is entered; or the Company suffers appointment of any custodian or the like for it or for any substantial part of its property to continue unchanged or unstayed for a period of ninety (90) days; or the Company makes a general assignment for the benefit of creditors; or any corporate action is taken by the Company for the purpose of effecting any of the foregoing; or

(v) One or more judgments shall be entered against the Company involving a liability of One Hundred Thousand Dollars (\$100,000) or more in the aggregate for all such judgments for the Company collectively and any such judgments shall not have been vacated, discharged or stayed or bonded pending appeal within sixty (60) days from the entry thereof.

(b) Upon the occurrence of any Event of Default, and at any time thereafter, the Holder may take any of the following actions without prejudice to the rights of the Holder to enforce its claims against the Company except as otherwise specifically provided for herein:

(i) declare the unpaid principal and any accrued and unpaid interest in respect of this Debenture to be due, whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company;

(ii) reduce any claim to judgment;

(iii) without notice of default or demand, pursue and enforce any of the Holder's rights and remedies under this Debenture, or otherwise provided under or pursuant to any applicable law or agreement, including without limitation all rights and remedies available to Holder as a secured party under the Security Agreement and under the Uniform Commercial Code as enacted in the State of Delaware.

(c) If any amount, whether principal, interest or other payment, on this Debenture is not paid when due, the Company shall pay all fees and costs of collection, including, but not limited to, reasonable attorneys fees incurred by the Holder, whether or not suit is filed hereon. The rights and remedies of the Holder as provided in this Debenture shall be cumulative and may be pursued singly, successively, or together.

6. Maximum Interest. All agreements between the Company and the Holder are expressly limited so that in no contingency or event shall the amount paid or agreed to be paid to the Holder for the use, forbearance or detention of the money to be loaned hereunder exceed the maximum amount permissible under the applicable federal and state usury laws. It is therefore the intention of the Company and the Holder to conform strictly to state and federal usury laws applicable to this loan and to limit the interest paid on this Debenture to the

amount herein stated or the highest rate of interest according to law, whichever is the lesser. Therefore, in this Debenture or in any of the documents relating hereto, the aggregate of all interest or any other charges constituting interest under the applicable law contracted for, chargeable, or receivable under this Debenture or otherwise in connection with this Debenture shall under no circumstances exceed the maximum amount of interest permitted by law. If any excess of interest in such respect is provided for or shall be adjudicated to be so provided for in this Debenture or in any of the documents securing payment hereof or otherwise relating hereto, then in such event:

(a) The provisions of this Section 6 shall govern and control;

(b) Neither the Company, its successors or assigns nor any other party liable for the payment hereof shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum permitted by law;

(c) Any excess of said interest shall be deemed a mistake and is hereby canceled automatically and if theretofore paid, shall at the option of the Holder be refunded to the Company or, to the extent permitted by law, credited to the principal amount of said Debenture as a prepayment; and

(d) The effective rate of interest shall be automatically subject to reduction to the maximum lawful contract rate allowed under said law as is now or may hereinafter be construed by courts of appropriate jurisdiction and to the extent permitted by law, the determination of the rate of interest shall be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan, all interest at any time contracted for, charged or received from the Company in connection with said loan.

7. Waiver. The Company hereby waives presentment, demand for payment, notice of dishonor or acceleration, protest and notice of protest, and any and all other notices or demands in connection with the delivery, acceptance, performance, default or enforcement of this Debenture, excepting any notice requirements specifically set forth herein.

8. Governing Law. This Debenture and the rights and obligations of the parties hereunder shall be governed by and construed and interpreted in accordance with the laws of the State of Florida without giving effect to principles of conflict of laws contained therein.

9. Notices. All notices which either party may be required or desire to give to any other party shall be in writing and shall be given by personal service, telecopy, registered mail or certified mail (or its equivalent), or overnight courier to the other party at its respective address first above written. Mailed notices and notices by overnight courier shall be deemed to be given upon actual receipt by the party to be notified. Notices delivered by telecopy shall be confirmed in

writing by overnight courier and shall be deemed to be given upon actual receipt by the party to be notified. A party may change its address or addresses set forth above by giving the other parties notice of the change in accordance with the provisions of this section.

10. Headings. The headings of the sections of this Debenture are inserted for convenience only and do not constitute a part of this Debenture.

11. Assignment. This Debenture and the rights and obligations herein may not be assigned by the Company without the prior written consent of the Holder.

IN WITNESS WHEREOF, the Company has caused this Debenture to be signed in its corporate name by its duly authorized officer, and to be dated the day and year first above written.

INFINIUM LABS, INC.

By: [Signature]  
Name: Timothy M Roberts  
Its: Chairman, CEO

[Signature]  
Timothy Roberts, individually, with respect to  
Section 2 of this Debenture

Accepted and agreed:

Centare Ventures LLC

By: [Signature]

Name: Leigh White

Its: Managing Member

Dated: 2-23-04

**Infinium Labs, Inc.  
2004 Omnibus Incentive  
Compensation Plan**

Effective June 1, 2004

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## **Article 1. Establishment, Objectives, and Duration**

**1.1 Establishment of the Plan.** Infinium Labs, Inc., a Delaware corporation, hereby adopts the “Infinium Labs, Inc. 2004 Omnibus Incentive Compensation Plan” (hereinafter referred to as the “Plan”), as set forth in this document. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Performance Shares, Performance Units, and Cash-Based Awards.

Subject to approval by the Company’s stockholders, this Plan shall become effective as of June 1, 2004 (the “Effective Date”). Awards may be granted under this Plan prior to such stockholder approval; provided, the effectiveness of such Awards shall be contingent on such stockholder approval being obtained.

**1.2 Objectives of the Plan.** The objectives of the Plan are to optimize the profitability and growth of the Company through incentives that are consistent with the Company’s goals and that link the personal interests of Participants to those of the Company’s stockholders, to provide Participants with an incentive for excellence in individual performance, and to promote teamwork among Participants.

The Plan is further intended to provide flexibility to the Company and its Subsidiaries in their ability to motivate, attract, and retain the services of Participants who make significant contributions to the Company’s success and to allow Participants to share in that success.

**1.3 Duration of the Plan.** The Plan shall remain in effect, subject to the right of the Committee to amend or terminate the Plan at any time pursuant to Article 14 hereof, until all Shares subject to it shall have been purchased or acquired according to the Plan’s provisions. However, in no event may an Award of an Incentive Stock Option be granted under the Plan on or after the tenth (10<sup>th</sup>) anniversary of the Effective Date.

## **Article 2. Definitions**

Whenever used in this Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized:

**2.1 “Award”** means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Performance Shares, Performance Units, or Cash-Based Awards.

**2.2 “Award Agreement”** means a written or electronic agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under this Plan.

**2.3 “Beneficial Owner” or “Beneficial Ownership”** shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

**2.4 “Board” or “Board of Directors”** means the Board of Directors of the Company.

**2.5 “Cash-Based Award”** means an Award granted to a Participant as described in Article 9 hereof.

**2.6 “Change in Control”** shall be deemed to have occurred under any one or more of the following conditions:

- i. if, within three years of any merger, consolidation, sale of a substantial part of the Company's assets, or contested election, or any combination of the foregoing transactions (a "Transaction"), the persons who were directors of Infinium Labs, Inc. immediately before the Transaction shall cease to constitute a majority of the Board of Directors (x) of Infinium Labs, Inc. or (y) of any successor to Infinium Labs, Inc., or (z) if Infinium Labs, Inc. becomes a subsidiary of or is merged into or consolidated with another corporation, of such corporation (Infinium Labs, Inc. shall be deemed a subsidiary of such other corporation if such other corporation owns or controls, directly or indirectly, a majority of the combined voting power of the outstanding shares of the capital stock of Infinium Labs, Inc. entitled to vote generally in the election of directors ("Voting Stock"));
- ii. if, as a result of a Transaction, Infinium Labs, Inc. does not survive as an entity, or its shares are changed into the shares of another corporation unless the stockholders of Infinium Labs, Inc. immediately prior to the Transaction own a majority of the outstanding shares of such other corporation immediately following the Transaction;
- iii. if any Person becomes, after the date this Plan is adopted, a beneficial owner directly or indirectly of securities of Infinium Labs, Inc. representing 30% or more of the combined voting power of the Company's Voting Stock;
- iv. the dissolution or liquidation of Infinium Labs, Inc. is approved by its stockholders; or
- v. if the members of the Board as of the date this Plan is adopted (the "Incumbent Board") cease to represent at least two-thirds of the Board; provided, that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by at least two-thirds of the members comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement in which such person is named as a nominee for director without objection to such nomination) shall be, for purposes of this paragraph (v), treated as though such person were a member of the Incumbent Board.

**2.7 "Code"** means the Internal Revenue Code of 1986, as amended from time to time.

**2.8 "Committee"** means the committee appointed from time to time by the Company's Board of Directors to administer the Plan. The full Board of Directors, in its discretion, may act as the Committee under the Plan, whether or not a Committee has been appointed, and shall do so with respect to grants of Awards to non-employee Directors. The Committee may delegate to one or more members of the Committee or officers of the Company, individually or acting as a committee, any portion of its authority, except as otherwise expressly provided in the Plan. In the event of a delegation to a member of the Committee, officer or a committee thereof, the term "Committee" as used herein shall include the member of the Committee, officer or committee with respect to the delegated authority. Notwithstanding any such delegation of authority, the

Committee comprised of members of the Board of Directors and appointed by the Board of Directors shall retain overall responsibility for the operation of the Plan.

**2.9 “Company”** means Infinium Labs, Inc., a Delaware corporation, and any successor thereto as provided in Article 16 hereof.

**2.10 “Covered Employee”** means a Participant who, as of the date of vesting and/or payout of an Award, or the date the Company or any of its Subsidiaries is entitled to a tax deduction as a result of the Award, as applicable, is one of the group of “covered employees,” as defined in the regulations promulgated under Code Section 162(m), or any successor statute.

**2.11 “Director”** means any individual who is a member of the Board of Directors of the Company; provided, however, that any Director who is employed by the Company shall be treated as an Employee under the Plan.

**2.12 “Disability”** shall mean a condition whereby the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical impairment which can be expected to result in death or which is or can be expected to last for a continuous period of not less than thirty-six months, all as verified by a physician acceptable to, or selected by, the Company.

**2.13 “Effective Date”** shall have the meaning ascribed to such term in Section 1.1 hereof.

**2.14 “Employee”** means any employee of the Company or its Subsidiaries.

**2.15 “Exchange Act”** means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

**2.16 “Fair Market Value”** as of any date and in respect of any Share means the then most recent closing price of a Share reported by the exchange or other trading system on which Shares are primarily traded or, if deemed appropriate by the Committee for any reason, the fair market value of Shares shall be as determined by the Committee in such other manner as it may deem appropriate. Without limiting the generality of the foregoing, the Committee, in its sole discretion, may determine that the Fair Market Value shall be calculated based on the average closing price of the Shares for a specified period of time, not exceeding thirty (30) days, before the “applicable date”, as defined in Sections 6.3 or 7.1 as applicable. In no event shall the fair market value of any Share be less than its par value.

**2.17 “Freestanding SAR”** means an SAR that is granted independently of any Options, as described in Article 7 hereof.

**2.18 “Incentive Stock Option” or “ISO”** means an option to purchase Shares granted under Article 6 hereof and that is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422.

**2.19 “Insider”** shall mean an individual who is, on the relevant date, an executive officer, director or ten percent (10%) beneficial owner of any class of the Company’s equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act.

**2.20 “Nonqualified Stock Option” or “NQSO”** means an option to purchase Shares granted under Article 6 hereof that is not intended to meet the requirements of Code Section 422, or that otherwise does not meet such requirements.

**2.21 “Option”** means an Incentive Stock Option or a Nonqualified Stock Option.

**2.22 “Option Price”** means the price at which a Share may be purchased by a Participant pursuant to an Option.

**2.23 “Participant”** means an Employee, Director or consultant (including a member of the Advisory Board) who has been selected to receive an Award or who has an outstanding Award granted under the Plan.

**2.24 “Performance-Based Exception”** means the performance-based exception from the tax deductibility limitations of Code Section 162(m).

**2.25 “Performance Share”** means an Award granted to a Participant, as described in Article 9 hereof.

**2.26 “Performance Unit”** means an Award granted to a Participant, as described in Article 9 hereof.

**2.27 “Period of Restriction”** means the period during which the transfer of Shares of Restricted Stock is limited in some way (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, at its discretion), and the Shares are subject to a substantial risk of forfeiture, pursuant to the Restricted Stock Award Agreement, as provided in Article 8 hereof.

**2.28 “Person”** shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof and the rules promulgated thereunder, including a “group” as defined in Section 13(d) thereof and the rules promulgated.

**2.29 “Restricted Stock”** means an Award granted to a Participant pursuant to Article 8 hereof.

**2.30 “Shares”** means shares of the Company’s common stock, par value \$.0001 per share.

**2.31 “Stock Appreciation Right” or “SAR”** means an Award, granted alone or in connection with a related Option, designated as an SAR, pursuant to the terms of Article 7 hereof.

**2.32 “Subsidiary”** means any corporation, partnership, joint venture, or other entity in which the Company, directly or indirectly, has a majority voting interest. With respect to Incentive Stock Options, “Subsidiary” means any entity, domestic or foreign, whether or not

such entity now exists or is hereafter organized or acquired by the Company or by a Subsidiary that is a “subsidiary corporation” within the meaning of Code Section 424(d) and the rules thereunder.

**2.33 “Tandem SAR”** means an SAR that is granted in connection with a related Option pursuant to Article 7 hereof, the exercise of which shall require forfeiture of the right to purchase a Share under the related Option (and when a Share is purchased under the Option, the Tandem SAR shall similarly be canceled).

**2.34 “Ten Percent Shareholder”** means an employee who at the time an ISO is granted owns Shares possessing more than ten percent of the total combined voting power of all classes of Shares of the Company or any Subsidiary, within the meaning of Code Section 422.

### **Article 3. Administration**

**3.1 General.** Subject to the terms and conditions of the Plan, the Plan shall be administered by the Committee. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of, the Board of Directors. The Committee shall have the authority to delegate administrative duties to officers of the Company. For purposes of making Awards intended to qualify for the Performance Based Exception under Code Section 162(m), to the extent required under such Code Section, the Committee shall be comprised solely of two or more individuals who are “outside directors”, as that term is defined in Code Section 162(m) and the regulations thereunder.

**3.2 Authority of the Committee.** Except as limited by law or by the Certificate of Incorporation or Bylaws of the Company, and subject to the provisions hereof, the Committee shall have full power to select Employees, Directors and consultants who shall be offered the opportunity to participate in the Plan; determine the sizes and types of Awards; determine the terms and conditions of Awards in a manner consistent with the Plan; construe and interpret the Plan and any agreement or instrument entered into under the Plan; establish, amend, or waive rules and regulations for the Plan’s administration; and amend the terms and conditions of any outstanding Award as provided in the Plan. Further, the Committee shall make all other determinations that it deems necessary or advisable for the administration of the Plan. As permitted by law and the terms of the Plan, the Committee may delegate its authority herein. No member of the Committee shall be liable for any action taken or decision made in good faith relating to the Plan or any Award granted hereunder.

**3.3 Decisions Binding.** All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders and resolutions of the Committee shall be final, conclusive, and binding on all persons, including the Company, its stockholders, Directors, Employees, Participants, and their estates and beneficiaries, unless changed by the Board.

### **Article 4. Shares Subject to the Plan and Maximum Awards**

**4.1 Number of Shares Available for Grants.** Subject to adjustment as provided in Section 4.2 hereof, the number of Shares hereby reserved for issuance to Participants under the Plan shall equal twenty-five million (25,000,000). Any Shares covered by an Award (or portion of an Award) granted under the Plan which is forfeited or canceled or expires shall be deemed

not to have been delivered for purposes of determining the maximum number of Shares available for delivery under the Plan. Shares may be authorized, unissued shares or Treasury shares. The Committee shall determine the appropriate methodology for calculating the number of Shares issued pursuant to the Plan. For purposes of these calculations, Shares subject to both an Option and a Tandem SAR shall be counted only once.

The following limitations shall apply to the grant of any Award to a Participant in a fiscal year:

- (a) **Stock Options:** The maximum aggregate number of Shares that may be granted in the form of Stock Options pursuant to Awards granted in any one fiscal year to any one Participant shall be two million (2,000,000).
- (b) **SARs:** The maximum aggregate number of Shares that may be granted in the form of Stock Appreciation Rights pursuant to Awards granted in any one fiscal year to any one Participant shall be two million (2,000,000).
- (c) **Restricted Stock:** The maximum aggregate of Shares that may be granted with respect to Awards of Restricted Stock granted in any one fiscal year to any one Participant shall be one million (1,000,000).
- (d) **Performance Shares/Performance Units and Cash-Based Awards:** The maximum aggregate grant with respect to Awards of Performance Shares made in any one fiscal year to any one Participant shall be equal to the Fair Market Value of one million (1,000,000) Shares (measured on the date of grant); the maximum aggregate amount awarded with respect to Cash-Based Awards or Performance Units to any one Participant in any one fiscal year may not exceed one million dollars (\$1,000,000).

**4.2 Adjustments in Authorized Shares.** Upon a change in corporate capitalization, such as a stock split, stock dividend or a corporate transaction, such as any merger, consolidation, combination, exchange of shares or the like, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Code Section 368) or any partial or complete liquidation of the Company, such adjustment shall be made in the number and class of Shares that may be delivered under Section 4.1, in the number and class of and/or price of Shares subject to outstanding Awards granted under the Plan, and in the Award limits set forth in Section 4.1, as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights.

**4.3 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.** The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.2 hereof) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan; provided that, unless the Committee determines otherwise at the time such adjustment is considered, no such adjustment shall be authorized to the extent that such authority would be inconsistent with the Plan's or any Award's meeting the requirements of Section 162(m) of the Code, as from time to time amended.

## **Article 5. Eligibility and Participation**

**5.1 Eligibility.** Persons eligible to participate in this Plan include all Employees, Directors and consultants (including members of the Advisory Board) of the Company and its Subsidiaries.

**5.2 Actual Participation.** Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible Employees, Directors and consultants, those to whom Awards shall be granted and shall determine the nature and amount of each Award, provided that Incentive Stock Options shall only be awarded to Employees of the Company or its Subsidiaries.

## **Article 6. Stock Options**

**6.1 Grant of Options.** Subject to the terms and provisions of the Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee.

**6.2 Award Agreement.** Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, and such other provisions as the Committee shall determine which are not inconsistent with the terms of the Plan.

**6.3 Option Price.** The Option Price for each grant of an Option under this Plan shall be as determined by the Committee; provided, however, the per-share exercise price shall not be less than the Fair Market Value of the Shares on the applicable date. The applicable date shall be the date on which the Option is granted, except that with regard to Nonqualified Stock Options only, the Committee may provide that the applicable date may be the day on which an award recipient was hired, promoted or such similar singular event occurred, provided that the grant of such an award occurs within ninety (90) days following the applicable date. Notwithstanding the foregoing, the Option Price with respect to the first award of an Option granted to certain key Employees who commenced employment with the Company or its Subsidiaries before April 1, 2004, may be below Fair Market Value.

The Option Price for each ISO shall equal the Fair Market Value of the Shares at the time such option is granted. If an ISO is granted to a Ten Percent Shareholder the Option Price shall be at least 110 percent of the Fair Market Value of the stock subject to the ISO.

**6.4 Duration of Options.** Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant, provided that an ISO must expire no later than the tenth (10th) anniversary of the date the ISO was granted. However, in the case of an ISO granted to a Ten Percent Shareholder, the ISO by its terms shall not be exercisable after the expiration of five years from the date such ISO is granted.

**6.5 Exercise of Options.** Options shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Participant.

**6.6 Payment.** Options shall be exercised by the delivery of a written, electronic or telephonic notice of exercise to the Company or its designated agent, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment of the Option Price for the Shares.

Upon the exercise of any Option, the Option Price for the Shares being purchased pursuant to the Option shall be payable to the Company in full either: (a) in cash or its equivalent; or (b) subject to the Committee's approval, by delivery of previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price (provided that the Shares that are delivered must have been held by the Participant for at least six (6) months prior to their delivery to satisfy the Option Price); or (c) by a combination of (a) and (b); or (d) by any other method approved by the Committee in its sole discretion. Unless otherwise determined by the Committee, the delivery of previously acquired Shares may be done through attestation. No fractional shares may be tendered or accepted in payment of the Option Price.

Unless otherwise determined by the Committee, cashless exercises are permitted pursuant to Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law.

Subject to any governing rules or regulations, as soon as practicable after receipt of notification of exercise and full payment, the Company shall deliver to the Participant, in the Participant's name, Share certificates in an appropriate amount based upon the number of Shares purchased pursuant to the Option(s).

Unless otherwise determined by the Committee, all payments under all of the methods indicated above shall be paid in United States dollars.

**6.7 Restrictions on Share Transferability.** The Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, or under any blue sky or state securities laws applicable to such Shares.

#### **6.8 Nontransferability of Options.**

- (a) **Incentive Stock Options.** No ISO granted under the Plan may be sold, transferred, pledged, assigned, encumbered or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all ISOs granted to a Participant under the Plan shall be exercisable during such Participant's lifetime only by such Participant.
- (b) **Nonqualified Stock Options.** Except as otherwise provided in the applicable Award Agreement, no NQSO may be sold, transferred, pledged, assigned, encumbered or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in the applicable Award Agreement, all NQSOs granted to a Participant shall be exercisable during such Participant's lifetime only by such Participant.



**6.9 Special Limitation on Grants of Incentive Stock Options.** No ISO shall be granted to an Employee under the Plan or any other ISO plan of the Company or its Subsidiaries to purchase Shares as to which the aggregate Fair Market Value (determined as of the date of grant) of the Shares which first become exercisable by the Employee in any calendar year exceeds \$100,000. To the extent an Option initially designated as an ISO exceeds the value limit of this Section 6.9 or otherwise fails to satisfy the requirements applicable to ISOs, it shall be deemed a NQSO and shall otherwise remain in full force and effect.

## **Article 7. Stock Appreciation Rights**

**7.1 Grant of SARs.** Subject to the terms and conditions of the Plan, SARs may be granted to Participants at any time and from time to time as shall be determined by the Committee. The Committee may grant Freestanding SARs, Tandem SARs, or any combination of these forms of SARs.

Subject to the terms and conditions of the Plan, the Committee shall have complete discretion in determining the number of SARs granted to each Participant and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs.

The grant price of a Freestanding SAR shall equal the Fair Market Value of a Share on the applicable date. The applicable date shall be the date on which the Freestanding SAR is granted, except that the Committee may provide that the applicable date may be the day on which an award recipient was hired, promoted or such similar singular event occurred, provided that the grant of such an award occurs within ninety (90) days following the applicable date. The grant price of Tandem SARs shall equal the Option Price of the related Option.

**7.2 SAR Agreement.** Each SAR grant shall be evidenced by an Award Agreement that shall specify the grant price, the term of the SAR, and such other provisions as the Committee shall determine. The terms of a Tandem SAR may be included in the Award Agreement of the related Option.

**7.3 Term of SARs.** The term of an SAR granted under the Plan shall be determined by the Committee, in its sole discretion.

**7.4 Exercise of Freestanding SARs.** Freestanding SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon them.

**7.5 Exercise of Tandem SARs.** Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the related Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable.

**7.6 Payment of SAR Amount.** Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

- (a) The amount by which the Fair Market Value of a Share on the date of exercise exceeds the grant price of the SAR; by
- (b) The number of Shares with respect to which the SAR is exercised.

In the sole discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent value, in some combination thereof, or in any other manner approved by the Committee. Any Shares delivered in payment shall be deemed to have a value equal to the Fair Market Value on the date of exercise of the SAR. The Committee's determination regarding the permitted form or forms of SAR payout shall be set forth in the Award Agreement pertaining to the grant of the SAR.

**7.7 Nontransferability of SARs.** Except as otherwise provided in a Participant's Award Agreement, no SAR granted under the Plan may be sold, transferred, pledged, assigned, encumbered, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, except as otherwise provided in a Participant's Award Agreement, all SARs granted to a Participant under the Plan shall be exercisable during such Participant's lifetime only by such Participant.

## **Article 8. Restricted Stock**

**8.1 Grant of Restricted Stock.** Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to Participants in such amounts as the Committee shall determine.

**8.2 Restricted Stock Agreement.** Each Restricted Stock grant shall be evidenced by a Restricted Stock Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock granted, and such other provisions as the Committee shall determine which are not inconsistent with the terms of this Plan.

**8.3 Transferability.** Except as provided in the Award Agreement, the Shares of Restricted Stock granted herein may not be sold, transferred, pledged, assigned, encumbered, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Restricted Stock Award Agreement, or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and set forth in the Restricted Stock Award Agreement. All rights with respect to the Restricted Stock granted to a Participant under the Plan shall be available during such Participant's lifetime and prior to the end of the Period of Restriction only to such Participant.

**8.4 Other Restrictions.** The Committee may impose such other conditions and/or restrictions on any Shares of Restricted Stock granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions, and/or restrictions under applicable federal or state securities laws.

To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied.

Except as otherwise provided in the Award Agreement, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall become freely transferable by the Participant after the last day of the applicable Period of Restriction.

**8.5 Voting Rights.** If the Committee so determines, Participants holding Shares of Restricted Stock granted hereunder may be granted the right to exercise full voting rights with respect to those Shares during the Period of Restriction.

**8.6 Dividends and Other Distributions.** During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder (whether or not the Company holds the certificate(s) representing such Shares) may, if the Committee so determines, be credited with dividends paid with respect to the underlying Shares while they are so held. The Committee may apply any restrictions to the dividends that the Committee deems appropriate. Without limiting the generality of the preceding sentence, if the grant or vesting of Restricted Shares granted to a Covered Employee is designed to comply with the requirements of the Performance-Based Exception, the Committee may apply any restrictions it deems appropriate to the payment of dividends declared with respect to such Restricted Shares, such that the dividends and/or the Restricted Shares maintain eligibility for the Performance-Based Exception.

## **Article 9. Performance Units, Performance Shares, and Cash-Based Awards**

**9.1 Grant of Performance Units/Shares and Cash-Based Awards.** Subject to the terms of the Plan, Performance Units, Performance Shares, and/or Cash-Based Awards may be granted to Participants in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

**9.2 Award Agreement.** At the Committee's discretion, each grant of Performance Units/Shares and Cash-Based Awards may be evidenced by an Award Agreement that shall specify the initial value, the duration of the Award, the performance measures, if any, applicable to the Award, and such other provisions as the Committee shall determine which are not inconsistent with the terms of the Plan.

**9.3 Value of Performance Units/Shares and Cash-Based Awards.** Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant. Each Cash-Based Award shall have a value as may be determined by the Committee. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Units/Shares and Cash-Based Awards that will be paid out to the Participant. For purposes of this Article 9, the time period during which the performance goals must be met shall be called a "Performance Period."

**9.4 Earning of Performance Units/Shares and Cash-Based Awards.** Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Units/Shares and Cash-Based Awards shall be entitled to receive a payout based on the number and value of Performance Units/Shares and Cash-Based Awards earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved. Unless otherwise determined by the Committee, notwithstanding any other provision of the Plan, payment of Cash-Based Awards shall only be made for those Participants who are Directors or Employees of the Company or any of its Subsidiaries at the end of the Performance Period or, if none has been specified, the end of the applicable award year.

**9.5 Form and Timing of Payment of Performance Units/Shares and Cash-Based Awards.** Payment of earned Performance Units/Shares and Cash-Based Awards shall be as determined by the Committee and, if applicable, as evidenced in the related Award Agreement. Subject to the terms of the Plan, the Committee, in its sole discretion, may pay earned Performance Units/Shares and Cash-Based Awards in the form of cash or in Shares (or in a combination thereof) that have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares and Cash-Based Awards at the close of the applicable Performance Period. Such Shares may be delivered subject to any restrictions deemed appropriate by the Committee. No fractional shares will be issued. The determination of the Committee with respect to the form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award or the resolutions establishing the Award.

Unless otherwise provided by the Committee, Participants holding Performance Units/Shares shall be entitled to receive dividend units with respect to dividends declared with respect to the Shares represented by such Performance Units/Shares. Such dividends may be subject to the same accrual, forfeiture, and payout restrictions as apply to dividends earned with respect to Shares of Restricted Stock, as set forth in Section 8.6 hereof, as determined by the Committee.

**9.6 Nontransferability.** Except as otherwise provided in a Participant's Award Agreement, Performance Units/Shares and Cash-Based Awards may not be sold, transferred, pledged, assigned, encumbered, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.

## **Article 10. Performance Measures**

Unless and until the Committee proposes for shareholder vote and the Company's shareholders approve a change in the general performance measures set forth in this Article 10, the attainment of which may determine the degree of payout and/or vesting with respect to Awards to Covered Employees that are designed to qualify for the Performance-Based Exception, the performance measure(s) to be used for purposes of such grants shall be chosen from among:

- (a) Earnings per share;
- (b) Net income (before or after taxes);
- (c) Cash flow (including, but not limited to, operating cash flow and free cash flow);
- (d) Gross revenues;
- (e) Gross margins;
- (f) EBITDA;
- (g) Any of the above measures compared to peer or other companies;
- (h) Contracted revenues;
- (i) Booked revenues; and
- (j) Product development achievement.

Performance measures may be set either at the corporate level, subsidiary level, division level, or business unit level.

Awards that are designed to qualify for the Performance-Based Exception, and that are held by Covered Employees, may not be adjusted upward (the Committee shall retain the discretion to adjust such Awards downward).

If applicable tax and/or securities laws change to permit Committee discretion to alter the governing performance measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval.

## **Article 11. Rights of Participants**

**11.1 Employment.** Nothing in the Plan shall confer upon any Participant any right to continue in the Company's or its Subsidiaries' employ, or as a Director, or interfere with or limit in any way the right of the Company or its Subsidiaries to terminate any Participant's employment or directorship at any time.

**11.2 Participation.** No Employee, Director or consultant shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

**11.3 Rights as a Stockholder.** Except as provided in Sections 8.5, 8.6 and 9.5 or in applicable Award Agreement consistent with such Sections, a Participant shall have none of the rights of a shareholder with respect to shares of Common Stock covered by any Award until the Participant becomes the record holder of such Shares, or the Period of Restriction has expired, as applicable.

## **Article 12. Termination of Employment/Directorship**

Upon termination of the Participant's employment or directorship for any reason other than Disability or death, an Award granted to the Participant may be exercised by the Participant or permitted transferee at any time on or prior to the earlier of the expiration date of the Award or the expiration of three (3) months after the date of termination but only if, and to the extent that, the Participant was entitled to exercise the Award at the date of termination. All Awards or any portion thereof not yet vested or exercisable or whose Period of Restriction has not expired as of the date of termination (other than a termination by reason of Disability or death) shall terminate and be forfeited immediately on the date of termination. If the employment or directorship of a Participant terminates by reason of the Participant's Disability or death, all Awards (except for Cash-Based Awards described in Article 9) or any portion thereof not yet vested or exercisable or whose Period of Restriction has not expired as of the date of a Participant's Disability or death shall become immediately vested and/or exercisable on the date of termination due to Disability or death. If the employment or directorship of a Participant terminates by reason of the Participant's Disability or death, the Participant (or, if appropriate, the Participant's legal representative or permitted transferee) may exercise such Participant's rights under any outstanding Award at any time on or prior to the earlier of the expiration date of the Award or the expiration of six months after the date of Disability or death.

Unless otherwise determined by the Committee, an authorized leave of absence pursuant to a written agreement or other leave entitling an Employee to reemployment in a comparable position by law or rule shall not constitute a termination of employment for purposes of the Plan unless the Employee does not return at or before the end of the authorized leave or within the

period for which re-employment is guaranteed by law or rule. For purposes of this Article, a “termination” includes an event which causes a Participant to lose his eligibility to participate in the Plan (e.g., an individual is employed by a company that ceases to be a Subsidiary). In the case of a consultant, the meaning of “termination” or “termination of employment” includes the date that the individual ceases to provide services to the Company or its Subsidiaries. In the case of a nonemployee director, the meaning of “termination” includes the date that the individual ceases to be a director of the Company or its Subsidiaries.

Notwithstanding the foregoing, the Committee has the authority to prescribe different rules that apply upon the termination of employment of a particular Participant, which shall be memorialized in the Participant’s original or amended Award Agreement or similar document.

An Award that remains unexercised after the latest date it could have been exercised under any of the foregoing provisions or under the terms of the Award shall be forfeited.

### **Article 13. Change in Control**

In the event of a Change in Control, unless otherwise specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchange or trading system, or unless the Committee shall otherwise specify in the Award Agreement, the Board, in its sole discretion, may:

- (a) elect to terminate Options or SARs in exchange for a cash payment equal to the amount by which the Fair Market Value of the Shares subject to such Option or SAR to the extent the Option or SAR has vested exceeds the exercise price with respect to such Shares;
- (b) elect to terminate Options or SARs provided that each Participant is first notified of and given the opportunity to exercise his/her vested Options or SARs for a specified period of time (of not less than 15 days) from the date of notification and before the Option or SAR is terminated;
- (c) permit Awards to be assumed by a new parent corporation or a successor corporation (or its parent) and replaced with a comparable Award of the parent corporation or successor corporation (or its parent);
- (d) amend an Award Agreement or take such other action with respect to an Award that it deems appropriate; or
- (e) implement any combination of the foregoing.

### **Article 14. Amendment, Modification, and Termination**

**14.1 Amendment, Modification, and Termination.** Subject to the terms of the Plan, the Board may at any time and from time to time, alter, amend, suspend, or terminate the Plan in whole or in part.

**14.2 Awards Previously Granted.** Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

**14.3 Shareholder Approval Required for Certain Amendments.** Shareholder approval will be required for any amendment of the Plan that does any of the following: (a) increases the maximum number of Shares subject to the Plan; (b) changes the designation of the class of persons eligible to receive ISOs under the Plan; or (c) modifies the Plan in a manner that requires shareholder approval under applicable law or the rules of a stock exchange or trading system on which Shares are traded.

## **Article 15. Withholding**

The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy any applicable taxes (including social security or social charges), domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan. The Participant may satisfy, totally or in part, such Participant's obligations pursuant to this Section 15 by electing to have Shares withheld, to redeliver Shares acquired under an Award, or to deliver previously owned Shares that have been held for at least six (6) months, provided that the election is made in writing on or prior to (i) the date of exercise, in the case of Options and SARs, (ii) the date of payment, in the case of Performance Units/Shares, or Cash-Based Awards, and (iii) the expiration of the Period of Restriction in the case of Restricted Stock. Any election made under this Section 15 may be disapproved by the Committee at any time in its sole discretion. If an election is disapproved by the Committee, the Participant must satisfy his obligations pursuant to this paragraph in cash.

## **Article 16. Successors**

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, through merger, consolidation, or otherwise, of all or substantially all of the business, stock and/or assets of the Company.

## **Article 17. General Provisions**

**17.1 Gender and Number.** Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

**17.2 Severability.** If any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

**17.3 Requirements of Law.** The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

**17.4 Securities Law Compliance.** With respect to Insiders, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act, unless determined otherwise by the Board. To the extent any provision of the

Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Board.

**17.5 Listing.** The Company may use reasonable endeavors to register Shares issued pursuant to Awards with the United States Securities and Exchange Commission or to effect compliance with the registration, qualification, and listing requirements of any state or foreign securities laws, stock exchange, or trading system.

**17.6 Inability to Obtain Authority.** The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

**17.7 No Additional Rights.** Neither the Award nor any benefits arising under this Plan shall constitute part of an employment contract between the Participant and the Company or any Subsidiary, and accordingly, subject to Section 14.2, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Committee without giving rise to liability on the part of the Company for severance payments.

**17.8 Noncertificated Shares.** To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange or trading system.

**17.9 Governing Law.** The Plan and each Award Agreement shall be governed by the laws of Florida, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts whose jurisdiction covers Sarasota, Florida, to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement.

Dated as of June \_\_ 2004

**Infinium Labs, Inc.**

By: \_\_\_\_\_  
Chief Executive Officer

Date of Shareholder Approval: \_\_\_\_\_



**CERTIFICATE OF CHIEF EXECUTIVE OFFICER**

I, Timothy M. Roberts, Chairman and Chief Executive Officer of Infinium Labs, Inc. (the “small business issuer”), certify that:

1. I have reviewed this quarterly report on Form 10-QSB, for the quarter ending June 30, 2004, of Infinium Labs, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of and for the periods presented in this quarterly report;
4. The small business issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - (b) evaluated the effectiveness of the small business issuer’s disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - (c) disclosed in this quarterly report any change in the small business issuer’s internal control over financial reporting that occurred during the small business issuer’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer’s internal control over financial reporting; and
5. The small business issuer’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer’s auditors and the audit committee of the small business issuer’s board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer’s ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer’s internal control over financial quarterly reporting.

/s/ Timothy M. Roberts

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Timothy M. Roberts  
Chairman and Chief Executive Officer  
August 23, 2004

**CERTIFICATE OF ACTING CHIEF FINANCIAL OFFICER**

I, Matthew A. Veal, Acting Chief Financial Officer of Infinium Labs, Inc. (the “small business issuer”), certify that:

1. I have reviewed this quarterly report on Form 10-QSB, for the quarter ending June 30, 2004, of Infinium Labs, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of and for the periods presented in this quarterly report;
4. The small business issuer’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - (b) evaluated the effectiveness of the small business issuer’s disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - (c) disclosed in this quarterly report any change in the small business issuer’s internal control over financial reporting that occurred during the small business issuer’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer’s internal control over financial reporting; and
5. The small business issuer’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer’s auditors and the audit committee of the small business issuer’s board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer’s ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer’s internal control over financial quarterly reporting.

/s/ Matthew A. Veal

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Matthew A. Veal  
Acting Chief Financial Officer  
August 23, 2004

THE FOLLOWING CERTIFICATION ACCOMPANIES THE ISSUER'S QUARTERLY REPORT ON FORM 10-QSB AND IS NOT FILED, AS PROVIDED IN ITEM 601(b)(32)(ii) OF REGULATION S-B PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION.

CERTIFICATION PURSUANT TO 18 U.S.C SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Infinium Labs, Inc. (the "Company") on Form 10-QSB (the "Report") for the quarter ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof, we, Timothy M. Roberts, Chief Executive Officer, and Terrance F. Taylor, Acting Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Timothy M. Roberts

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Timothy M. Roberts  
Chief Executive Officer  
August 23, 2004

/s/ Matthew A. Veal

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Matthew A. Veal  
Acting Chief Financial Officer  
August 23, 2004