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CORPORATION NAME (S) AND DOCUMENT NUMBER (S):

CMJ Acquisition Corp. into CMJ Ventures Inc.

Filing Evidence

☒ Plain/Confirmation Copy

☐ Certified Copy

Retrieval Request

☐ Photocopy

☐ Certified Copy

Type of Document

☐ Certificate of Status

☐ Certificate of Good Standing

☐ Articles Only

☐ All Charter Documents including
Articles & Amendments

☐ Fictitious Name Certificate

☐ Other

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| <input checked="" type="checkbox"/> | Merger |

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ARTICLES OF MERGER
Merger Sheet

MERGING:

CMJ ACQUISITION COMPANY, a nonqualified Delaware corp.

INTO

CMJ VENTURES, INC., a Florida entity, P99000059691.

File date: May 22, 2002, effective June 1, 2002

Corporate Specialist: Susan Payne

EFFECTIVE DATE
6/1/02

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SECRETARY OF STATE
TALLAHASSEE, FLORIDA

ARTICLES OF MERGER

The following Articles of Merger are being submitted by CMJ Ventures, Inc., a Florida corporation, in accordance with Section 607.1109 of the Florida Business Corporation Act.

FIRST: Attached hereto as Exhibit A is an Agreement and Plan of Merger (the "Merger Agreement"), dated as of March 1, 2002, and as amended on May 16, 2002, by and among Sporting Magic, Inc., a Delaware corporation ("SMI"), CMJ Acquisition Corp., a Delaware corporation ("Merger Sub"), CMJ Ventures, Inc., a Florida corporation ("CMJ"), Sean Garber, Lisa Garber and Mark Carter, whereby Merger Sub shall be merged with and into CMJ, with CMJ being the surviving corporation. Pursuant to the Merger Agreement, Merger Sub, a wholly owned subsidiary of SMI, shall merge with and into CMJ, with CMJ as the surviving corporation.

SECOND: The Merger Agreement was approved by both the board of directors and the stockholders of CMJ in accordance with Sections 607.1101 and 607.1103 of the Florida Business Corporation Act on May 16, 2002. The Merger Agreement was also approved and by both the board of directors and the stockholders of Merger Sub in accordance with Section 252 of the Delaware General Corporation Law on May 16, 2002.

THIRD: The effective date of the merger shall be as of June 1, 2002.

FOURTH: The signatures of CMJ and Merger Sub are set forth below:

[THE REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK]

May 16, 2002

CMJ VENTURES, INC.

By:



Sean Garber, President

CMJ ACQUISITION CORP.

By:

Danny F. Cooke, President

May 16, 2002

CMJ VENTURES, INC.

By: _____
Sean Garber, President

CMJ ACQUISITION CORP.

By:  _____
Danny F. Cooke, President

AGREEMENT AND PLAN OF MERGER

BY AND AMONG
SPORTING MAGIC, INC.,
CMJ ACQUISITION COMPANY,
CMJ VENTURES, INC.
and
SEAN GARBER, LISA GARBER AND MARK CARTER

MARCH
Dated as of ~~February~~ 1 2002

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (the "Agreement"), dated as of February __, 2002, by and among (i) Sporting Magic, Inc., a Delaware corporation ("SMI"), (ii) CMJ Acquisition Company, a Delaware corporation and wholly owned subsidiary of SMI ("Merger Sub"), (iii) CMJ Ventures, Inc., a Florida corporation ("CMJ") and (iv) each of Sean Garber, Lisa Garber and Mark Carter (collectively, the "Stockholders").

WITNESSETH

WHEREAS, the Stockholders and each of the Boards of Directors of SMI, Merger Sub and CMJ have approved the merger of Merger Sub with and into CMJ (the "Merger") upon the terms and subject to the conditions set forth in this Agreement, and such Merger shall enable SMI to acquire all of the outstanding equity capital of CMJ in exchange for cash, common stock of SMI and preferred stock of SMI;

WHEREAS, after this transaction, CMJ shall become a wholly owned subsidiary of SMI;

WHEREAS, prior to this transaction, SMI acquired all of the outstanding common stock on Next, Inc., a Delaware corporation ("Next"), whereby Next became a partially owned subsidiary of SMI in its capacity as a publicly traded holding company; and

WHEREAS, for federal income tax purposes, it is intended that the Merger qualify as a reorganization, for the benefit of each of CMJ and the Stockholders, within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code").

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

ARTICLE I

THE MERGER

Section 1.1 The Merger. At the Effective Time (as defined in Section 1.2) and upon the terms and subject to the conditions set forth in this Agreement and in accordance with applicable provisions of the Delaware General Corporation Law ("Delaware Law"), Merger Sub shall be merged with and into CMJ, with CMJ being the surviving corporation of the Merger (the "Surviving Corporation") and becoming a wholly-owned subsidiary of SMI. Following the Merger, the separate existence of Merger Sub shall cease.

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Section 1.2 Effective Time. At the Closing (as defined in Section 1.7), the parties shall cause the Merger to be consummated by executing and filing a duly executed Agreement and Plan of Merger and duly executed Certificates of Merger (collectively the "Merger Documents"), with respect to the Merger, with the Secretary of State of the State of Delaware, in such form as SMI and CMJ reasonably determine is required by and in accordance with the relevant provisions of Delaware Law. The time upon which such filing becomes effective in accordance with Delaware Law is referred to herein as the "Effective Time."

Section 1.3 Merger Consideration. For purposes of this agreement, "Merger Consideration" shall mean, in the aggregate, (i) 1,400,000 shares of SMI voting common stock, \$.0001 par value per share, all unencumbered and free and clear of all liens, charges, pledges, security interests or any other restrictions except for those as may be imposed by federal or state securities laws (collectively, the "SMI Common Stock") and (ii) 3,000 shares of SMI's Series A preferred stock, \$.0001 par value per share, all unencumbered and free and clear of all liens, charges, pledges, security interests or any other restrictions and created pursuant to a certificate of designation substantially similar to the form of certificate of designation attached hereto as Exhibit A (collectively, the "SMI Preferred Stock"). At the Effective Time, by virtue of the Merger, and without further action by any person or entity, each issued and outstanding share of CMJ Stock (as defined in Section 2.2) shall automatically converted into the right to receive 2,545.4545 shares of SMI Common Stock and 5.4545 shares of SMI Preferred Stock. Schedule 1.3 sets forth to whom and in what denominations the Merger Consideration is to be allocated amongst the Stockholders or their designees. Fractional shares of either SMI Common Stock or SMI Preferred Stock to be issued hereunder shall be rounded to the nearest whole number.

Section 1.4 Effects of Merger. The Merger shall have the effects set forth in the Merger Documents and applicable provisions of Delaware Law. Without limiting the generality of the foregoing, at the Effective Time:

(a) All of the properties, rights, privileges, powers and franchises of Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation;

(b) The directors and executive officers of the Surviving Corporation shall be comprised of those individuals set forth on Schedule 1.4(b), and each such director and executive officer shall hold office in accordance with the Certificate of Incorporation and Bylaws of the Surviving Corporation or until their successors are duly elected and qualify;

(c) All shares of CMJ Stock held by CMJ as treasury stock shall be cancelled and no payment shall be made with respect thereto; and

(d) Each share of capital stock of Merger Sub issued and outstanding prior to the Effective Time shall be converted into one validly issued, fully paid and nonassessable share

of common stock of the Surviving Corporation, and the stock of the Surviving Corporation issued pursuant to such conversion shall constitute all of the issued and outstanding shares of capital stock of the Surviving Corporation.

Section 1.5 Certificate of Incorporation and Bylaws. At the Effective Time, the Bylaws and Certificate of Incorporation of CMJ shall be the Bylaws and Certificate of Incorporation of the Surviving Corporation.

Section 1.6 Exchange of Shares.

(a) At the Closing, each Stockholder, shall deliver to SMI any certificate or certificates which immediately prior to the Effective Time represented outstanding shares of CMJ Stock ("CMJ Certificates") which were converted into the right to receive shares of SMI Common Stock and SMI Preferred Stock pursuant to Section 1.3 hereof, and SMI shall issue to each Stockholder immediately upon receipt of such CMJ Certificate, a certificate representing the number of shares of SMI Common Stock and SMI Preferred Stock into which the shares represented by the CMJ Certificate were converted pursuant to Section 1.3 hereof in connection with the Merger, and all CMJ Certificates so surrendered shall subsequently be cancelled.

(b) After the Effective Time, there shall be no further registration of transfers on the stock transfer books of CMJ of certificates representing any CMJ capital stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, certificates representing CMJ capital stock are presented for any reason, they shall be cancelled and exchanged as provided in this Section 1.

Section 1.7 The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Olshan Grundman Frome Rosenzweig & Wolosky LLP, 505 Park Avenue, New York, New York 10022 as soon as practicable following satisfaction or waiver of all the conditions to the obligations of the parties to consummate the transactions contemplated hereby, or at such other time and place as SMI, CMJ and the Stockholders shall mutually agree (the date on which such closing occurs being herein referred to as the "Closing Date"); provided, however, that under no circumstances may the Closing Date be later than March 15, 2002 in accordance with Section 12.1(d).

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF CMJ AND THE STOCKHOLDERS

CMJ and each of the Stockholders, jointly and severally, represent and warrant to SMI and Merger Sub as of the date hereof as follows:

Section 2.1 Corporate Organization; Requisite Authority to Conduct Business; Certificate of Incorporation and Bylaws. CMJ is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida. CMJ has all corporate power and authority to own, operate and lease its properties and to carry on its business as the same is now being conducted. CMJ is duly qualified or licensed to do business as a foreign corporation in each foreign jurisdiction listed on Schedule 2.1, which constitute all of the foreign jurisdictions in which the conduct of its business or the ownership or leasing of its properties require it to be so qualified or licensed.

Section 2.2 Capitalization and Stockholdings. The authorized capital stock of CMJ consists of 1,000 shares of common stock, \$1.00 par value per share, of which 550 shares are issued and outstanding (the "CMJ Stock"). The Stockholders, beneficially and of record, own all of the CMJ Stock free and clear of all liens, claims or encumbrances of any nature, in the respective amounts set forth on Schedule 2.2. Each of the Stockholders has the full right, power, legal capacity and authority to transfer and deliver the CMJ Stock pursuant to this Agreement. The CMJ Stock has been duly authorized, validly issued and is fully paid and non-assessable and free of preemptive rights. There are no subscriptions, options, warrants, calls, rights, contracts, commitments, agreements, understandings or arrangements to sell or issue any capital stock of CMJ, including any right of conversion or exchange under any outstanding security or other instrument, and no shares are reserved for issuance for any purpose.

Section 2.3 Subsidiaries, etc. CMJ does not own (directly or indirectly) any equity interest in any corporation, partnership, limited liability company, joint venture, affiliate, association or other entity.

Section 2.4 Authority Relative to and Validity of this Agreement. CMJ and the Stockholders have all requisite power, corporate or otherwise, and authority to enter into this Agreement, to perform all of their obligations hereunder and to consummate the transactions contemplated hereby without the approval of any third party. The execution and delivery of this Agreement, the performance by CMJ and the Stockholders of their respective obligations hereunder and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of CMJ including, without limitation, approval of CMJ's Board of Directors. There are no corporate, contractual, statutory or other restrictions of any kind upon the power and authority of CMJ or the Stockholders to execute and deliver this Agreement and to consummate the transactions contemplated hereby and no action, waiver or consent by any government or any agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign (collectively, a "Governmental Entity") is necessary to make this Agreement a valid instrument binding upon CMJ and the Stockholders in accordance with its terms. This Agreement has been duly executed and delivered by CMJ and the Stockholders, and constitutes the legal, valid and binding obligations of CMJ and the Stockholders, enforceable against each such party in accordance with its terms, except (i) as such enforceability may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, (ii) as such

obligations are subject to general principles of equity and (iii) as rights to indemnity may be limited by federal or state securities laws or by public policy.

Section 2.5 No Conflict. The execution, delivery and performance of this Agreement by CMJ and the Stockholders, and the consummation of the transactions contemplated hereby (a) will not result in any violation of, conflict with, constitute a breach, violation or default (with or without notice or lapse of time, or both) under, give rise to a right of termination, cancellation, forfeiture or acceleration of any obligation or loss of any benefit under, or result in the creation or encumbrance on any of the properties or assets of CMJ or the Stockholders pursuant to (i) any provision of CMJ's Bylaws or Certificate of Incorporation or (ii) any agreement, contract, understanding, note, mortgage, indenture, lease, franchise, license, permit or other instrument to which CMJ or the Stockholders are a party or by which the properties or assets of CMJ or the Stockholders are bound, or (b), conflict with or result in any breach or violation of any statute, judgment, decree, order, rule or governmental regulation applicable to CMJ or the Stockholders or their respective properties or assets.

Section 2.6 Governmental Consents. No consent, approval, order or authorization of, or registration, declaration of, or qualification or filing with, any Governmental Entity, is required by or with respect to CMJ or the Stockholders in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby, except for such consents, approvals, orders, authorizations, registrations, declarations, qualifications or filings as may be required under federal or state securities laws in connection with the transactions contemplated hereby.

Section 2.7 Financial Statements. CMJ has delivered to SMI true, correct and complete copies of its unaudited financial statements for the years ended December 31, 2000 and 2001 (collectively, the "CMJ Financial Statements"), a copy of which is attached hereto as Schedule 2.7. The CMJ Financial Statements have been prepared in conformity with generally accepted accounting principles ("GAAP") and present fairly, in accordance with GAAP, the financial condition of CMJ as at the respective dates thereof and the results of operations and cash flows for the respective periods covered. Since December 31, 2001, CMJ has not sold or otherwise disposed of or encumbered any of the properties or assets reflected on the CMJ Financial Statements, or other assets owned or leased by it, except in the ordinary course of business.

Section 2.8 Liabilities. CMJ has no liability, debt or obligation of any nature (whether liquidated, unliquidated, direct, accrued, absolute, contingent or otherwise, and whether due or to become due), except liabilities that are (i) reflected on the CMJ Financial Statements, or (ii) were incurred in the ordinary course of business and do not individually or in the aggregate exceed \$15,000.

Section 2.9 Absence of Certain Changes and Events. Since December 31, 2001, there has not been, with respect to CMJ, (a) any damage, destruction or loss (whether or

not covered by insurance) with respect to any assets or properties; (b) any entry into any commitment or transaction (including, without limitation, any borrowing or capital expenditure) other than commitments and/or transactions (i) described in Schedule 2.9(a)(i), (ii) entered into in the ordinary course of business in an amount not to exceed \$15,000 in the aggregate or (iii) as contemplated by this Agreement; (c) any transfer, assignment or sale of, or rights granted under, any material leases, licenses, agreements, patents, trademarks, trade names, copyrights or other assets other than those transferred, assigned, sold or granted in the ordinary course of business and consistent with past practice; (d) any mortgage, pledge, security interest or imposition of any other encumbrance on any assets or properties except in the ordinary course of business; (e) any payment of any liabilities of any kind other than liabilities currently due; (f) any cancellation of any debts or claims or forgiveness of amounts owed to CMJ; (g) any change in accounting principles or methods (except insofar as may have been required by a change in GAAP); (h) to the best of CMJ's and the Stockholders' knowledge and belief, any change in any state or local law, rule or regulation applicable to or binding upon the business of CMJ; (i) any dividend or distribution to the Stockholders; or (j) any increase in the compensation payable to any Stockholder or any executive employee of CMJ. Since December 31, 2001, CMJ has conducted its business only in the ordinary course and in a manner consistent with past practice and has not made any material change in the conduct of its business or operations.

Section 2.10 Taxes and Tax Returns.

(a) To the best of CMJ's and the Stockholders' knowledge and belief, CMJ and any affiliated, consolidated, combined, unitary or similar group of which it is or has been a member have filed or caused to be filed in a timely manner all returns, declarations, reports, estimates, information returns and statements with respect to Taxes (collectively, the "Tax Returns") required to be filed under any United States federal, state or local or any foreign law pertaining to Taxes and such Tax Returns are, in all material respects, true, complete and correct. CMJ has paid, within the time and in the manner prescribed by law or, alternatively, will pay in a timely manner on or before the Closing Date, all Taxes required to be shown on such Tax Returns. To the best of CMJ's and the Stockholders' knowledge and belief, no claim has ever been made by an authority in a jurisdiction where CMJ does not file Tax Returns that CMJ is or may be subject to taxation by that jurisdiction. "Tax" or "Taxes" shall mean, collectively, all taxes, charges, fees, levies or other assessments including, without limitation, all net income, gross income, gross receipts, sales, use, value added, ad valorem, transfer, franchise, profits, alternative (or add-on) minimum, license, withholding, employment, environmental, payroll, disability, excise, estimated, severance, stamp, occupation, property or other taxes, customs duties, fees, assessments or charges of any kind whatsoever, whether computed on a consolidated, unitary, combined, separate or any other basis, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority.

(b) To the best of CMJ's and the Stockholders' knowledge and belief, CMJ has paid or accrued on its books and records amounts that are adequate for the payment of all Taxes, whether or not required to be shown on any Tax Return, not yet due and payable, including Taxes for any period that ends on or before the Closing Date and for any period that

begins before the Closing Date and ends after the Closing Date to the extent such Taxes are attributable to the portion of any such period ending on the Closing Date.

(c) To the best of CMJ's and the Stockholders' knowledge and belief, CMJ has complied, in all material respects, with all applicable laws, rules and regulations relating to the payment and withholding of Taxes and has, within the time and in the manner prescribed by law, withheld from employees and any other third parties and paid over to the proper governmental authorities, all amounts required to be so withheld and paid under all applicable laws.

(d) To the best of CMJ's and the Stockholders' knowledge and belief, there are no outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any Taxes or Tax Returns that have been given by CMJ and CMJ is not the beneficiary of any extension to file any Tax Return.

(e) No federal, state, local or foreign audits or other administrative or court proceedings are presently pending with regard to any Taxes or Tax Returns of CMJ and, to the best of CMJ's and the Stockholders' knowledge and belief, no deficiencies for any Taxes have been asserted against CMJ that have not been resolved or paid in full. There are no tax liens or similar encumbrances with respect to any of the assets of CMJ that arose in connection with any failure (or alleged failure) to pay any Tax. No material issue is currently being asserted by the Internal Revenue Service (the "IRS") or other relevant taxing authority in any audit or examination of the Tax Returns of CMJ. CMJ has not filed, with respect to any item, a disclosure statement pursuant to Section 6662 of the Code, or any comparable disclosure with respect to federal, state and/or local tax statutes.

(f) No currently effective power of attorney has been granted by CMJ with respect to any matter relating to Taxes that is currently in force.

(g) CMJ has not at any time been included in a consolidated, affiliated, combined, unitary or similar Tax Return nor was any such inclusion required nor has any liability on Taxes of any other person as a transferee, successor, by contract or otherwise, been assessed against CMJ.

(h) CMJ's combined federal and state tax income liability for the fiscal year ended December 31, 2001 shall not exceed \$60,000.

Section 2.11 Title to Property.

(a) CMJ has good and marketable title to, or in the case of leased assets and properties, valid leasehold interests in, all tangible real and personal assets and property that it

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owns or leases or is used in the operation of its business (collectively, the "Property"), free and clear of all liens, claims and encumbrances of any nature, except those identified in the CMJ Financial Statements. Schedule 2.11(a) sets forth a complete and accurate list of all such owned or leased property including, without limitation, (i) all inventory, machinery, equipment, tooling, parts, furniture, supplies, office equipment, (ii) all leases of equipment or other property used in the conduct of CMJ's business and (iii) all other owned or leased property. No financing statement under the Uniform Commercial Code or any similar law naming CMJ as debtor has been filed in any jurisdiction in respect of the Property, and neither CMJ nor the Stockholders are a party to or bound under any agreement or legal obligation authorizing a party to file any such financing statement, except those financing statements that will be terminated at Closing.

(b) Each lease identified on Schedule 2.11(a) is valid and enforceable in accordance with its terms, in all material respects, and is in full force and effect. Except as set forth on Schedule 2.11(b), no consent or approval of any landlord or other third party in connection with any such lease is necessary for CMJ or the Stockholders to enter into and execute this Agreement and consummate the transactions contemplated hereby. To the best of CMJ's and the Stockholders' knowledge and belief, no other party to any lease is in default of its obligations thereunder, and CMJ (or any other party to any such lease) has not at any time delivered or received any notice of default which remains uncured under any such lease and no event has occurred which, with the giving of notice or the passage of time, or both, would constitute a default under any such lease.

(c) All material items of equipment owned or leased by CMJ are in adequate operating condition, regularly and properly maintained, subject to normal wear and tear.

Section 2.12 Intellectual Property.

(a) CMJ owns, or holds adequate licenses or other legally enforceable rights to use all patents, patent applications, trademarks, brand marks, service marks, logos, brand names, domain names, trade names, copyrights, proprietary software, know-how, trade secrets arising from any proprietary processes or any similar proprietary intellectual property (collectively, the "CMJ Intellectual Property") that are used in its business as it is presently being conducted. CMJ owns or has the right to use, sell or license all CMJ Intellectual Property and such CMJ Intellectual Property is believed to be sufficient for it to conduct its business as it is currently being conducted. Schedule 2.12 hereto lists, as may be applicable, each patent, patent right, patent application, trade name registration, trademark application and/or registration, copyright application and/or registration, domain name, source and object code owned or possessed by CMJ. Such list specifies, as applicable: (i) the title of the patent, trademark trade name, service mark, copyright or application therefor; (ii) the jurisdiction by or in which such patent, trademark, trade name, service mark or copyright exists and has been issued or registered or in which an application has been filed, including the registration or application numbers; and (iii) all Licenses (copies of which have been delivered to SMI). For the purposes of this Agreement, "Licenses", collectively, means all licenses, sub-licenses, agreements, permissions, undertakings and understandings pursuant to which any third party is licensed or authorized to

use any CMJ Intellectual Property or pursuant to which CMJ is authorized to use any patents, trademarks, trade secrets, service marks, trade names, copyrights, inventions, products and processes under development, databases, drawings, designs, proprietary know-how or information, other confidential information, or other rights with respect thereto of any third party.

(b) The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby will not constitute a material breach of any instrument or agreement governing any CMJ Intellectual Property, will not cause the forfeiture or termination or give rise to a right of forfeiture or termination of any CMJ Intellectual Property or impair the right of CMJ to use, sell or license any CMJ Intellectual Property or any portion thereof.

(c) Neither the manufacture, marketing, license, sale or intended use of any product currently licensed or sold by CMJ or currently under development by CMJ violates any license or agreement between CMJ and any third party relating to such product, nor infringes upon any intellectual property right of any other party. There are no pending or, to the best of CMJ's and the Stockholders' knowledge and belief, threatened claims or litigation contesting the validity and ownership by CMJ or its right to use, sell, license or dispose of any CMJ Intellectual Property, nor is there any basis for such a claim. CMJ has not received any actual notice asserting that any CMJ Intellectual Property or its proposed use, sale, license or disposition conflicts or will conflict with the rights of any other party, nor is there any basis for such an assertion.

(d) No current or prior officers, employees or consultants of CMJ have asserted an ownership interest in any CMJ Intellectual Property as a result of having been involved in the development of such property while employed by or consulting to CMJ or otherwise.

Section 2.13 Legal Proceedings, Claims, Investigations, etc. There is no legal, administrative, arbitration or other action or proceeding or governmental investigation pending or, to the best of CMJ's and the Stockholders' knowledge and belief, threatened, against CMJ (or any director, officer or employee of CMJ) relating to the business or assets of CMJ. Neither CMJ nor the Stockholders have been informed of, or have any actual knowledge of, any violation of or default under, any laws, ordinances, regulations, judgments, injunctions, orders or decrees (including without limitation, any immigration laws or regulations) of any court, governmental department, commission, agency, instrumentality or arbitrator applicable to CMJ or its business. CMJ is not currently subject to any judgment, order, injunction or decree of any court, arbitration authority, administrative agency or other Governmental Entity.

Section 2.14 Insurance. Schedule 2.14 hereto sets forth a list and brief description of all existing insurance policies maintained by CMJ pertaining to its business properties, personnel and assets. CMJ is not in default with respect to any provision contained in

any insurance policy, and has not failed to give any notice or present any claim under any insurance policy in a timely fashion. Copies of all such policies have been delivered to SMI. All such policies are in full force and effect and following the Closing Date will continue to be in full force and effect to the extent as may be paid for by SMI. All payments with respect to such policies are current and will remain so up to the Closing Date. CMJ has not received any notice threatening a suspension, revocation, modification or cancellation of any such policy.

Section 2.15 Material Contracts. Schedule 2.15 sets forth a complete and accurate list, as of the Closing Date, of all contracts or agreements to which CMJ is a party (collectively, the "Contracts"). Any purchase order, written or oral, in receipt of CMJ requiring the provision by CMJ of products or services, the value of which exceeds \$2,000 constitutes a Contract. Copies of all written contracts and a description of the terms of all other oral contracts to which CMJ is a party, including any and all amendments and modifications thereto, have been delivered to SMI prior to the date hereof. Each of the Contracts is valid and binding, in full force and effect and enforceable against the parties thereto in accordance with its provisions. CMJ has not assigned, mortgaged, pledged, encumbered, or otherwise hypothecated any of its right, title or interest under any of the Contracts. To the best of CMJ's and the Stockholders' knowledge and belief, neither CMJ nor any other party thereto is in violation of, in default in respect of, nor has there occurred an event or condition which, with the passage of time or giving of notice (or both), would constitute a violation of, or a default under any Contract. No written or oral notice has been received by either CMJ or the Stockholders claiming any default by CMJ of, or indicating the desire or intention of any other party thereto to amend, modify, rescind or terminate, any Contract.

Section 2.16 Inventories. All inventories reflected in the CMJ Financial Statements are stated at the lower of cost or market on a first-in-first-out basis in accordance with GAAP, with adequate reserves for obsolete, obsolescent and slow moving items consistently applied in conformity with past practices. Schedule 2.16 contains a true and complete list of all inventory (including work in progress) of CMJ as of December 31, 2001. All inventory of CMJ is in good and marketable condition and otherwise fit for sale unless otherwise designated as obsolete in Schedule 2.16. Since December 31, 2001, none of such Inventory has been sold or otherwise disposed of except in the ordinary course of business. On the Closing Date, SMI, in its sole discretion, will determine whether CMJ will have inventory sufficient in quantity, type and quality for the conduct of its business in accordance with past practice.

Section 2.17 Customers. Except as set forth on Schedule 2.17, there are no pending or, to the best of CMJ's and the Stockholders' knowledge and belief, threatened disputes between CMJ and any of its locations, vendors, suppliers, customers or other parties that in any way relate to the operation of the business of CMJ. Schedule 2.17 lists all locations, vendors, suppliers, customers or other parties that have commercial dealings with CMJ and relate to the business of CMJ, and a description of the nature of such dealings.

Section 2.18 Accounts Receivable. All accounts receivables of CMJ have arisen from bona fide transactions by CMJ in the ordinary course of business and are, to the best

of CMJ's and the Stockholders' knowledge and belief, deemed collectible by CMJ in the ordinary course of business (without, however, CMJ giving any warranty to SMI as to any extent of collectability whatsoever). Except as set forth on Schedule 2.18, there are no defenses, claims of disabilities, offsets, refusals to pay or other rights of offset against any such accounts receivable. Any allowances that CMJ has established specifically for doubtful accounts have been established on a basis consistent with CMJ's prior practice, credit experience and GAAP consistently applied. CMJ has delivered to SMI a complete and accurate aging list of all accounts receivables of CMJ as of December 31, 2001.

Section 2.19 Certain Transactions. Except as set forth on Schedule 2.19, none of the Stockholders, officers, directors or employees of CMJ, nor any member of any such person's or Stockholder's family is presently a party to any transaction with CMJ relating to the business of CMJ, including without limitation, any contract, agreement or other arrangement (i) providing for the furnishing of services by, (ii) providing for the rental of real or personal property from, or (iii) otherwise requiring payments to (other than for services as officers, directors or employees of CMJ), any such person or any corporation, partnership, trust or other entity in which any such person has a substantial interest as a stockholder, officer, director, trustee or partner.

Section 2.20 Broker. No broker, finder or investment banker is entitled to any brokerage, finder's or similar fees or other commissions in connection with the transactions contemplated hereby, based on the arrangements made by or on behalf of CMJ or the Stockholders.

Section 2.21 Environmental Matters.

(a) Except as set forth on Schedule 2.21, CMJ is not the subject of, or, to the best of CMJ's and the Stockholders' knowledge and belief, being threatened to be the subject of (i) any enforcement proceeding, or (ii) any investigation, brought in either case under any federal, state or local environmental law, rule, regulation, or ordinance at any time in effect or (iii) any third party claim relating to environmental conditions on or off the properties of CMJ. CMJ has not been notified that it must obtain any permits or licenses or file documents for the operation of its business under federal, state and local laws relating to pollution protection of the environment. Neither CMJ nor the Stockholders have been notified of any conditions on or off the properties of CMJ that would give rise to any material liabilities, known or unknown, under any federal, state or local environmental law, rule, regulation or ordinance, or as the result of any claim of any third party. For the purposes of this Section 2.22, an investigation shall include, but is not limited to, any written notice received by CMJ or the Stockholders that relates to the onsite or offsite disposal, release, discharge or spill of any waste, waste water, pollutant or contaminants.

(b) To the best of CMJ's and the Stockholders' knowledge and belief, there are no toxic wastes or other toxic or hazardous substances or materials, pollutants or

contaminants that CMJ (or any previous occupant of the facilities of CMJ) has used, stored or otherwise held in or on any of the facilities of CMJ, that are present at or have migrated from CMJ's facilities, whether contained in ambient air, surface water, groundwater, land surface or subsurface strata. The facilities of CMJ have been maintained by CMJ in compliance with all environmental protection, occupational, health and safety or similar laws, ordinances, restrictions, licenses, and regulations. CMJ has not disposed of or arranged (by contract, agreement or otherwise) for the disposal of any material or substance that was generated or used by CMJ at any off-site location that has been or is listed or, to the best of CMJ's and the Stockholders' knowledge and belief, proposed for inclusion on any list promulgated by any Governmental Entity for the purpose of identifying sites which pose a danger to health and safety. There have been no environmental studies, reports and analyses made or prepared in the last five years relating to the facilities of CMJ. CMJ has not installed any underground storage tanks in any of its facilities and none of such facilities contains any underground storage tanks.

Section 2.22 Illegal Payments. Neither CMJ nor the Stockholders have, directly or indirectly, paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any finder, agent, government official or other party, in the United States or any other country, which is in any manner related to the business or operations of CMJ, that the Stockholders know or have reason to believe to have been illegal under any federal, state or local laws or the laws of any other country having jurisdiction. CMJ has not participated, directly or indirectly, in any boycotts affecting any of its actual or potential customers.

Section 2.23 Licenses. To the best of CMJ's and the Stockholders' knowledge and belief, CMJ is the holder of all federal, state and local licenses, permits and approvals required to conduct its business as it is presently being conducted. All such licenses are in good standing, valid and effective, and free and clear of any liens, conditions or restrictions which might limit their full utilization as authorized by any Governmental Entity. Schedule 2.23 lists each License so held and its date of expiration.

Section 2.24 Compliance with Law. To the best of CMJ's and the Stockholders' knowledge and belief, CMJ has complied in all respects with all laws, rules, regulations, arbitral determinations, orders, writs, decrees and injunctions that are applicable to or binding upon CMJ, its business and properties, and neither CMJ nor the Stockholders have received any notice or have any knowledge of any violations thereof.

Section 2.25 Labor Matters. Neither CMJ nor the Stockholders have received any notice from any labor union or group that it represents or intends to represent the employees of CMJ. CMJ has complied in all material respects with all applicable laws affecting employment and employment practices, terms and conditions of employment and wages and hours. CMJ has not received any notice of and there are no complaints against it pending or, to the best of CMJ's and the Stockholders' knowledge and belief, threatened, before the National Labor Relations Board, the Equal Employment Opportunity Commission, any state or local Human Rights Commission or any other state or local agency in respect of labor or employment matters. No labor strike, material dispute, slowdown or stoppage has occurred with respect to the

employees of CMJ and there is no labor strike, material dispute, slowdown or stoppage pending or, to the best of CMJ's and the Stockholders' knowledge and belief, threatened with respect to its employees. There are no pending grievances or arbitration proceedings against CMJ with respect to the operation of its business.

Section 2.26 Books of Account; Records. The general ledgers, books of account and other records of CMJ in respect of its business are complete and correct in all material respects and have been maintained in accordance with good business practices and on a consistent basis from period to period reflected therein.

Section 2.27 Investments in Competitors. Neither the Stockholders nor any of their affiliates own, directly or indirectly, any interests or have any investment in any person that is a competitor of CMJ other than the securities of any issuer that are listed for trading on a national securities exchange or are traded in the over-the-counter market which do not, in the case of any Stockholder, constitute more than 2.0% of the total amount of such securities that are outstanding.

ARTICLE III

ADDITIONAL REPRESENTATIONS AND WARRANTIES OF STOCKHOLDERS

In addition to those representations made by the Stockholders in Article II, the Stockholders, jointly and severally, also represent and warrant to SMI and Merger Sub as of the date hereof as follows:

Section 3.1 Investment Representations.

(a) The Stockholders are acquiring the Merger Consideration solely for their own account as an investment and not with a view to any distribution or resale thereof within the meanings of such terms under the Securities Act of 1933, as amended (the "Securities Act").

(b) Each of the Stockholders has such knowledge, experience and skill in business and financial matters that each of the Stockholders is capable of evaluating the merits and risks of an investment in the Merger Consideration.

(c) Each of the Stockholders (i) has received all information that each of the Stockholders deems reasonably necessary to make an informed investment decision with respect to an investment in the Merger Consideration; (ii) has had the opportunity to make such investigation as each of the Stockholders desires regarding SMI and an investment therein and (iii) has had the opportunity to ask questions of representatives of SMI concerning SMI.

(d) Each of the Stockholders understands that he or she must bear the economic risk of an investment in SMI for an uncertain period of time because (i) the Merger Consideration has not been registered under the Securities Act and applicable state securities laws and (ii) the Merger Consideration may not be sold, transferred or otherwise disposed of without registration under the Securities Act or an exemption therefrom, and that in the absence of an effective registration statement covering the Merger Consideration or an available exemption from registration under the Securities Act, the Merger Consideration must be held indefinitely. In particular, each Stockholder is aware that the Merger Consideration may not be sold pursuant to Rule 144 promulgated under the Securities Act unless all of the conditions of that Rule are met. In this connection, each Stockholder represents that he or she understands that under Rule 144, the Merger Consideration must be held for at least one year after purchase thereof from SMI prior to resale (two years in the absence of public current information about SMI) and that, under certain circumstances, the conditions for use of Rule 144 include the availability of public current information about SMI, that sales be effected through a "broker's transaction" or in transactions with a "market maker," and that the number of shares being sold not exceed specified limitations. Such public current information about SMI for purposes of Rule 144 is presently not available, and may not be publicly available in the future.

(e) Each Stockholder understands that the certificates evidencing the Merger Consideration may bear one or all of the following legends:

(i) "The shares represented by this certificate have not been registered under the United States Securities Act of 1933. They may not be sold, offered for sale, pledged, hypothecated or otherwise transferred in the absence of a registration statement in effect with respect to such shares under such Act or an opinion of counsel or other evidence satisfactory to Sporting Magic, Inc. and its counsel that such registration is not required."

(ii) Any legend required by any other jurisdiction.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SMI AND MERGER SUB

Each of SMI and Merger Sub, jointly and severally, hereby represent and warrant to each of CMJ and the Stockholders as of the date hereof as follows:

Section 4.1 Corporate Organization. SMI, Merger Sub and Next are corporations duly organized, validly existing and in good standing under the laws of the State of Delaware and have all necessary corporate power and authority to own, operate and lease their properties and to carry on their business as the same are now being conducted.

Section 4.2 Authority. SMI and Merger Sub have all requisite corporate power and authority to enter into this Agreement and to perform their obligations hereunder and consummate the transactions contemplated hereby. The execution and delivery of this Agreement, the performance by SMI and Merger Sub of their obligations hereunder and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of SMI and Merger Sub. This Agreement is a valid and binding obligation of SMI and Merger Sub, enforceable against them in accordance with its terms, except (i) as such enforceability may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally, (ii) as such obligations are subject to general principles of equity and (iii) as rights to indemnity may be limited by federal or state securities laws or by public policy.

Section 4.3 Capitalization. The authorized capital stock of SMI consists of 25,000,000 shares of SMI Common Stock, of which 9,488,928 shares are issued and outstanding. In addition, SMI is obligated to issue, upon the occurrence of certain events, 80,435 shares of SMI Preferred Stock. The issued and outstanding SMI Common Stock has been duly authorized, validly issued and is fully paid and nonassessable and free of preemptive rights. Except as set forth on Schedule 4.3 hereto, there are no subscriptions, options, warrants, calls, rights, contracts, commitments, understandings, restrictions or arrangements of any kind relating to any shares of either SMI Common Stock or SMI Preferred Stock, and there are no voting trusts, buy-sell agreements or other agreements or understandings of any kind with respect to either of SMI Common Stock or SMI Preferred Stock. When issued, the Merger Consideration shall be duly issued, fully paid, and non-assessable and comprise 23.3% and 4.3%, respectively, of the aggregate SMI Common and Preferred Stock issued to Danny F. Cooke, William B. Hensley and the William B. III and Cindy S. Hensley Living Trust (together, the "Next Stockholders") pursuant to that certain Exchange Agreement, dated as of December 21, 2001 and as amended on January 18, 2002 and February 1, 2002, by and among, SMI, Buddy Young and the Next Stockholders. The authorized capital stock of Merger Sub consists of 1,000 shares of common stock, par value \$0.001 per share, of which 100 shares are validly issued and outstanding and owned solely by SMI. Merger Sub was formed solely for the purpose of participating in the Merger, has no assets other than that amount of cash that is required for it to be organized as a corporation under Delaware Law and has conducted no activities other than in connection with its incorporation.

Section 4.4 SMI and Next Financial Statements. SMI has delivered to CMJ and the Stockholders, true, correct and complete copies of its audited financial statements for the year ended August 31, 2001 and unaudited financial statements for the three month period ended November 30, 2001 (collectively, the "SMI Financial Statements"). Next has delivered to CMJ and the Stockholders, true, correct and complete copies of its unaudited financial statement for the year ended November 30, 2001 (the "Next Financial Statements", and together with the SMI Financial Statements referred to collectively as the "Joint Financial Statements"). The Joint Financial Statements have been prepared in accordance with GAAP, and fairly present, in accordance with GAAP, the financial condition of each of SMI and Next, as the case may be, as at the respective dates thereof, and the results of operations and cash flows of SMI and Next, as the case may be, for the periods covered. At November 30, 2001, there were no material

liabilities, absolute or contingent of SMI and Next, that were not shown or reserved against on the balance sheets as of such date included in the Joint Financial Statements, except obligations under the contracts set forth therein. Since November 30, 2001, SMI and Next have not sold or otherwise disposed of or encumbered any of the properties or assets reflected on the Joint Financial Statements as of such date, or other assets owned or leased by them, except in the ordinary course of business.

Section 4.5 Governmental Consents. No consent, approval, order or authorization of, or registration, declaration of, or qualification or filing with, any Governmental Entity is required by or with respect to SMI or Merger Sub in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for the filing of the Merger Documents and such consents, approvals, orders, authorizations, registrations, declarations, qualifications or filings as may be required under federal or state securities laws in connection with the transactions set forth herein.

Section 4.6 No Conflicts; Absence of Defaults; No Third Party Consent Required. The execution, delivery and performance of this Agreement by either SMI or Merger Sub, and the consummation of the transactions contemplated hereby will not (a) result in any violation of, conflict with, constitute a breach, violation or default (with or without notice or lapse of time, or both) under, give rise to a right of termination, cancellation, forfeiture or acceleration of any obligation or loss of any benefit under, or result in the creation or encumbrance on any of the properties or assets of SMI or Merger Sub pursuant to (i) any provision of SMI's or Merger Sub's Bylaws or Certificate of Incorporation or (ii) any agreement, contract, understanding, note, mortgage, indenture, lease, franchise, license, permit or other instrument to which SMI or Merger Sub is a party or by which the properties or assets of SMI or Merger Sub are bound, (b) conflict with or result in any breach or violation of any statute, judgment, decree, order, rule or governmental regulation applicable to SMI, Merger Sub or their properties or assets, or (c) will require the consent of any third party.

Section 4.7 Legal Proceedings, Claims, Investigations, etc. There is no material legal, administrative, arbitration or other action or proceeding or governmental investigation pending, or to the best of knowledge of SMI, Merger Sub and Next, threatened, against SMI, Merger Sub or Next (or any director, officer, agent, representative and/or employee of SMI, Merger Sub or Next) relating to the business or assets of SMI, Merger Sub or Next. SMI, Merger Sub and Next have not been informed of any violation of or default under, any laws, ordinances, regulations, judgments, injunctions, orders or decrees (including without limitation, any immigration laws or regulations) of any court, governmental department, commission, agency, instrumentality or arbitrator applicable to SMI, Merger Sub or Next or their respective businesses. SMI, Merger Sub and Next are not currently subject to any judgment, order, injunction or decree of any court, arbitral authority, administrative agency or other governmental authority.

Section 4.8 SEC Documents. SMI has furnished to CMJ and each Stockholder complete and accurate copies of the following documents (collectively, "SMI's SEC Filings")

that have been filed with the United States Securities and Exchange Commission (the "SEC") under the United States Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (the "Exchange Act"): SMI's Annual Report on Form 10-KSB for the year ended August 31, 2001, SMI's Quarterly Report on Form 10-QSB for the quarter ended November 30, 2001 and SMI's Proxy Statement for its action to be taken by written consent in lieu of a meeting of stockholders dated June 1, 2002. Except as set forth on Schedule 4.8, as of their respective filing dates, SMI's SEC Filings complied in all material respects with the requirements of the Exchange Act and, as of their respective filing dates, SMI's SEC Filings did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

Section 4.9 Broker. Except as set forth on Schedule 4.9, no broker, finder or investment banker is entitled to any brokerage, finder's or similar fees or other commissions in connection with the transactions contemplated hereby, based on the arrangements made by or on behalf of SMI or Merger Sub.

Section 4.10 Taxes and Tax Returns.

(a) To the best of SMI's knowledge and belief, SMI and any of its affiliated, consolidated, combined, unitary or similar group of which it is or has been a member has filed or caused to be filed in a timely manner all Tax Returns required to be filed under any United States federal, state or local or any foreign law pertaining to Taxes and such Tax Returns are, in all material respects, true, complete and correct.

(b) To the best of SMI's knowledge and belief, SMI has paid and/or accrued on its books and records amounts that are adequate for the payment of all Taxes, whether or not required to be shown on any Tax Return, not yet due and payable, including Taxes for any period that ends on or before the Closing Date and for any period that begins before the Closing Date and ends after the Closing Date to the extent such Taxes are attributable to the portion of any such period ending on the Closing Date.

(c) To the best of SMI's knowledge and belief, SMI has complied, in all material respects, with all applicable laws, rules and regulations relating to the payment and withholding of Taxes and has, within the time and in the manner prescribed by law, withheld from employees and any other third parties and paid over to the proper governmental authorities, all amounts required to be so withheld and paid under all applicable laws.

(d) To the best of SMI's knowledge and belief, there are no outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any Taxes or Tax Returns that have been given by SMI and SMI is not the beneficiary of any extension to file any Tax Return.

(e) No federal, state, local or foreign audits or other administrative or court proceedings are presently pending with regard to any Taxes or Tax Returns of SMI and, to the best of SMI's knowledge and belief, no deficiencies for any Taxes have been asserted against SMI that have not been resolved or paid in full.

(f) No currently effective power of attorney has been granted by SMI with respect to any matter relating to Taxes that is currently in force.

(g) SMI has not at any time been included in a consolidated, affiliated, combined, unitary or similar Tax Return nor was any such inclusion required nor has any liability on Taxes of any other person as a transferee, successor, by contract or otherwise, been assessed against SMI.

ARTICLE V

COVENANTS OF THE PARTIES PRIOR TO CLOSING

Section 5.1 Access. The Stockholders shall and shall cause CMJ to authorize and permit SMI and its representatives, including its independent accountants, financial advisers, agents and counsel to have reasonable access during normal business hours, upon reasonable notice and in such manner as will not unreasonably interfere with the conduct of CMJ's business, to all of CMJ's properties, books, records, operating instructions and procedures and all other information with respect to the business of CMJ as SMI may from time to time request, and to make copies of such books, records and other documents and to discuss the business with CMJ's directors and officers, in each case, as is reasonably necessary or appropriate for the purposes of familiarizing itself with CMJ and with obtaining any necessary approvals of or permits for the transactions contemplated by this Agreement; provided, however, that CMJ shall not be required to provide SMI or its representatives with access to any information or materials required to be kept confidential pursuant to agreements with third parties or by a provision, statute, ordinance, judicial order or other law, rule or regulation.

Section 5.2 Conduct of Business. During the period beginning on the date hereof and ending on the Closing Date, the Stockholders shall not and shall cause CMJ not to, without the prior written consent of SMI, which consent shall not be unreasonably withheld or delayed:

(a) conduct its business in any manner except in the ordinary course;

(b) terminate, or fail to renew or preserve, any material license, permit, franchise, certificate of authority, or order, or any waiver of the foregoing, required to be issued by any Governmental Entity;

(c) make any loan, guaranty or other extension of credit, or enter into any commitment to make any loan, guaranty or other extension of credit, to or for the benefit of any director, officer, employee, stockholder or any of their respective affiliates;

(d) grant any general or uniform increase in the rates of pay or benefits to officers, directors or employees (or a class thereof), or any increase in salary or benefits of any officer, director or employee or pay any bonus to any person in excess of \$2,500;

(e) terminate, transfer or hire any additional employees or consultants;

(f) sell, transfer, mortgage, encumber or otherwise dispose of any assets or properties except dispositions of inventory in the ordinary course of business consistent with past practices and other dispositions of assets not to exceed \$10,000 in the aggregate in the ordinary course of business consistent with past practices;

(g) issue, grant, sell, redeem or acquire for value, or agree to issue, sell, redeem or acquire for value, or amend or modify, any equity securities or debt obligations of CMJ;

(h) change or amend its Certificate of Incorporation or Bylaws;

(i) terminate, amend or fail to use its commercially reasonable efforts to renew any existing insurance coverage;

(j) other than in the ordinary course of business and consistent with past practice, voluntarily incur or agree to incur any obligation or liability (absolute or contingent) that individually or in the aggregate calls for payment by CMJ or the Stockholders of more than \$10,000;

(k) make any material investment, by purchase, contributions to capital, property transfers, or otherwise, in any association, corporation, limited liability company, individual, partnership, trust or any other entity or organization (collectively, a "Person");

(l) other than as expressly provided herein, make any Tax election or make any change in any method or period of accounting or in any accounting policy, practice or procedure;

(m) dispose of or fail to preserve any CMJ Intellectual Property, trade secrets or any rights to the use thereof; or

(n) agree to or make any commitment to take any actions prohibited by this Section 5.2.

Section 5.3 Preservation of Business Prior to Closing Date. During the period beginning on the date hereof and ending on the Closing Date, (a) CMJ and the Stockholders shall and shall cause CMJ to use its commercially reasonable efforts to preserve its business and to preserve the goodwill of customers, suppliers and others having business relations with CMJ and (b) CMJ and the Stockholders shall consult with SMI concerning, and CMJ and the Stockholders shall use commercially reasonable efforts to cooperate with SMI, in connection with SMI's efforts to keep the services of the officers and employees of CMJ that SMI may wish CMJ to retain. Except as set forth in Section 8.4 hereof, nothing in this Section 5.3 shall obligate SMI or CMJ after the Closing to retain or offer employment to any officer or employee of CMJ.

Section 5.4 Exclusivity.

(a) Unless SMI or Merger Sub is in breach of this Agreement prior to the Closing, and such breach has not been cured within 15 days of CMJ or the Stockholders providing SMI with written notice of such breach, the Stockholders, CMJ and any of the directors, officers, employees, representatives or agents of CMJ shall not, directly or indirectly, (i) discuss, negotiate, undertake, authorize, recommend, propose or enter into, either as the proposed surviving, merged, acquiring or acquired corporation, any transaction involving a merger, consolidation, business combination, purchase or disposition of any amount of assets or capital stock or other equity interest in CMJ other than the transactions contemplated by this Agreement (an "Acquisition Transaction"), (ii) facilitate, encourage, solicit or initiate discussions, negotiations or submissions of proposals or offers in respect of an Acquisition Transaction, (iii) furnish or cause to be furnished, to any Person any information concerning the business operations, properties or assets of CMJ in connection with an Acquisition Transaction, or (iv) otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other Person to do or seek any of the foregoing. The Stockholders will inform SMI in writing immediately following the receipt by the Stockholders, CMJ or any CMJ representative of any proposal or inquiry with respect to any Acquisition Transaction.

(b) Should the parties hereto fail to consummate the Closing as a direct or indirect result of any breach, whatsoever, of the covenants contained in this Section 5.4, CMJ and the Stockholders, jointly and severally, agree to reimburse SMI and Merger Sub for all costs and expenses actually incurred by SMI and Merger Sub in furtherance of the transactions contemplated by this Agreement unless SMI or Merger Sub is in breach of this Agreement.

Section 5.5 Reasonable Efforts. Subject to the terms and conditions of this Agreement, each of the parties hereto shall use all commercially reasonable efforts to take promptly, or cause to be taken promptly, all actions, and to do promptly, or cause to be done promptly all things reasonably necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated hereby, to obtain

all necessary waivers, consents and approvals, to effect all necessary registrations and filings and to remove any injunctions or other impediments or delays, legal or otherwise, in order to consummate and make effective the transactions contemplated by this Agreement for the purpose of securing to the parties hereto the benefits contemplated by this Agreement.

Section 5.6 Conduct; Notification of Certain Matters. Each of SMI, Merger Sub, CMJ and the Stockholders shall use all commercially reasonable efforts not to take, or fail to take, any action that from the date hereof through the Closing would cause or constitute a breach of any of its respective representations, warranties, agreements and covenants set forth in this Agreement. The Stockholders and CMJ shall give prompt written notice to SMI, and SMI shall give prompt written notice to CMJ and the Stockholders of (a) the occurrence or non-occurrence of any event, the occurrence or non-occurrence of which causes or is likely to cause any representation or warranty of the Stockholders or CMJ, on the one hand, or SMI and/or Merger Sub, on the other hand, contained in this Agreement to be untrue or inaccurate in any material respect at or prior to the Closing and (b) any failure of the Stockholders, CMJ, SMI or Merger Sub, as the case may be, to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 5.6 shall not limit or otherwise affect the other party's right to rely on the representations and warranties herein or any the other remedies available to the party receiving such notice.

ARTICLE VI

ADDITIONAL CONTINUING COVENANTS

Section 6.1 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses regardless of the termination of this Agreement or the failure to consummate the transactions contemplated hereby.

Section 6.2 Taxes.

(a) Without the prior written consent of SMI, which consent shall not be unreasonably withheld or delayed, neither the Stockholders nor CMJ, or any affiliate of CMJ or the Stockholders shall, to the extent it may affect or relate to CMJ, make or change any tax election, change any annual tax accounting period, adopt or change any method of tax election, change any annual accounting period, adopt or change any method of tax accounting, file any amended Tax Return, enter into any closing agreement, settle any Tax claim or assessment, surrender any right to claim a Tax refund, consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment or take or omit to take any other action, if any such action or omission would have the effect of materially increasing the Tax liability or reducing any Tax Asset of CMJ, SMI or any affiliate of SMI.

(b) For purposes of this Agreement, "Tax Asset" shall mean any net operating loss, net capital loss, investment tax credit, or any other credit or tax attribute which could reduce Taxes (including, without limitation, deductions and credits related to alternative minimum taxes).

(c) For purposes of this Agreement, "Tax Liability" shall mean any net operating income, net capital income, or any other debit or tax attribute which could increase Taxes (including, without limitation, additions and debits related to alternative minimum taxes).

(d) Any and all existing tax sharing agreements or arrangements, written or unwritten, binding CMJ, shall be terminated as of the Closing Date. After the Closing Date, CMJ shall not have any rights or liabilities thereunder.

Section 6.3 Public Disclosure. All public announcements, statements and press releases concerning the transactions contemplated by this Agreement shall be mutually agreed upon by CMJ and SMI in writing before the issuance or the making thereof and, subject to the advice of counsel, no party shall issue any such press releases or make any such public statement prior to such mutual agreement, except as may be required by law (including federal securities laws). Notwithstanding the foregoing, the parties hereto acknowledge that SMI may be required to describe transactions contemplated by this Agreement and/or file a copy of this Agreement, including all exhibits and schedules hereto, with the Securities and Exchange Commission in connection with related disclosure obligations under applicable securities laws.

Section 6.4 Additional Documents and Further Assurances. At, and from time to time after the date first written above, at the request and expense of SMI but without further consideration, CMJ and the Stockholders shall execute and deliver such other instruments of conveyance, assignment, transfer, and delivery and take such other action as SMI reasonably may request in order to more effectively convey, transfer, assign and deliver to the Surviving Corporation, and to place the Surviving Corporation in possession and control of, any of the rights, properties, assets and business intended to be sold, conveyed, transferred, assigned and delivered hereunder, or to assist in the collection or reduction to possession of any and all of such rights, properties, and assets or to enable the Surviving Corporation to exercise and enjoy all rights and benefits of CMJ or the Stockholders with respect thereto.

Section 6.5 Blue Sky Laws. SMI, Merger Sub and CMJ shall take such steps as may be necessary to comply with the securities and blue sky laws of all jurisdictions which are applicable to the issuance of the Merger Consideration and/or the conversion of the CMJ Stock. The parties hereto shall use all reasonable efforts to assist each other in complying with all applicable securities and blue sky laws.

Section 6.6 Confidentiality; Non-Competition.

(a) In the course of operation of the business of all parties, all parties shall have received, and will continue to receive, information that gives the other parties an advantage over its competitors, and which is confidential and proprietary, relating to each parties' respective names and preferences of customers, the costs and profits of particular lines, products and markets, technological data, computer programs, know-how, potential acquisitions, sources of financing, corporate operating and financing strategies, expansion plans and similar related information (collectively, the "Confidential Material"). At no time during the period commencing on the date first written above shall any party to this Agreement, whether individually, or jointly with others, for the benefit of himself, herself or any third party, publish, disclose, use, or authorize anyone else to publish, disclose, or use any Confidential Material of the other parties; provided, however, that any such Confidential Material may be disclosed only as required by law (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand, or any informal or formal investigation by any Governmental Entity). In the event that any party is requested pursuant to, or is required by, applicable law or regulation or by legal process to disclose any Confidential Material, such party shall promptly notify the other parties of any anticipated disclosure obligation and cooperate with the other parties, at such other parties' expense, in its efforts to seek an appropriate protective order or other reliable assurance that confidential treatment will be accorded to that portion of the Confidential Material that is required to be disclosed. The parties acknowledge that any disclosure of any Confidential Material would cause material and irrevocable harm to the other parties and their respective business.

(b) In addition to, and without limitation of, the terms and conditions set forth in the Employment Agreements (as defined in Section 8.4), Lisa Garber and Mark Carter hereby acknowledge and recognize the highly competitive nature of the business of SMI and its affiliates and, accordingly, agree that, in consideration for the Merger Consideration to be received by them in connection with the consummation of the transactions contemplated herein, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and to induce SMI to enter into this Agreement, neither they, nor any of their affiliates, shall, from and after the Closing until the fifth anniversary thereof, individually or jointly with others, directly or indirectly, own, manage, operate, join, control, participate in, invest in, or otherwise be connected with, in any manner, whether as an officer, director, employee, partner, investor or otherwise, any business entity that is engaged or otherwise involved in any business similar to the business of SMI, Next, CMJ, or any affiliates thereof, whether through ownership, leasing or other operations, or operate any businesses under a name using any derivative of the name "Sporting Magic," "Next" or "CMJ Ventures," without first obtaining the prior written consent of SMI, which may be withheld for any reason, or no reason, in the sole discretion of SMI; provided, however, that such provision shall not apply to the ownership by Lisa Garber or Mark Carter, solely as a passive investment, of the securities of any issuer that are listed for trading on a national securities exchange or are traded in the over-the-counter market which do not, in the case of Lisa Garber or Mark Carter, constitute more than 2.0% of the total amount of such securities that are outstanding.

(c) It is the desire and intent of the parties that the foregoing provisions of this Section 6.6 shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Section shall be adjudicated to be invalid or unenforceable, such provision shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, with such deletion only to apply with respect to the operation of such provision of this Section 6.6 in the particular jurisdiction in which such adjudication is made. In addition, in the event of a breach or threatened breach by any Stockholder of any of the provisions of this Section 6.6, SMI and the Surviving Corporation shall be entitled to an injunction restraining them, him or her, as the case may be, from such breach. Nothing contained herein shall be construed as prohibiting SMI or the Surviving Corporation from pursuing any other remedies available for such breach or threatened breach.

Section 6.7 Reorganization. None of the parties hereto shall knowingly take or fail to take any action, which action or failure would jeopardize the qualification of the Merger as a reorganization within the meaning of Section 368(a) of the Code, whether prior to or after the Closing.

Section 6.8 Lock-Up Agreements. For a period commencing on the Closing Date hereof and terminating on the two year anniversary of the Closing Date, each of the Stockholders shall enter into lock-up agreements with SMI, substantially similar in form to any lock-up agreement entered into by all stockholders of SMI that beneficially own 5% or more of all the outstanding SMI Common Stock on the date of such lock-up agreements.

Section 6.9 Stockholder Rights. For a period commencing on the Closing Date hereof and terminating on the two (2) year anniversary of the Closing Date (the "Rights Period"), SMI shall grant each of the Stockholders, with respect to the shares of SMI Common Stock and SMI Preferred Stock being acquired by the Stockholders hereunder, rights on substantially similar terms to any such rights granted by SMI to the Next Stockholders during the Rights Period.

ARTICLE VII

CONDITIONS TO THE CLOSING

The obligations of the parties to effect the Closing shall be subject to the following conditions unless waived in writing by each of the parties hereto:

Section 7.1 Illegality. There shall not have been any statute, rule or regulation enacted, promulgated or deemed applicable to the transactions contemplated by this Agreement by any Governmental Entity that prevents the consummation of the Closing or that has the effect of making the conversion of the CMJ Stock and/or transfer of the SMI Common Stock and SMI Preferred Stock illegal.

Section 7.2 Absence of Litigation. No action, suit or proceeding concerning SMI, Merger Sub, CMJ or any of the Stockholders shall be threatened or pending by or before any court of competent jurisdiction or Governmental Entity wherein an unfavorable judgment, order, decree, stipulation or injunction would (i) prevent consummation of any of the transactions contemplated by this Agreement or (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation.

Section 7.3 Consents and Approvals. All filings and registrations with, and notifications to, all federal, state, local and foreign authorities required for consummation of the transactions contemplated by this Agreement shall have been made, and all consents, approvals and authorizations of all federal, state, local and foreign authorities and third parties to material contracts, licenses, agreements or instruments required for consummation of the transactions contemplated by this Agreement shall have been received and shall be in full force and effect.

ARTICLE VIII

CONDITIONS TO OBLIGATIONS OF CMJ AND THE STOCKHOLDERS

The obligations of CMJ and the Stockholders under this Agreement are subject to the satisfaction, on or prior to the Closing Date, unless waived in writing by CMJ and the Stockholders, of each of the following conditions:

Section 8.1 Representations and Warranties of SMI. The representations and warranties of SMI and Merger Sub contained in this Agreement shall be true and correct on the date hereof and on and as of the Closing Date, as though made on and as of the Closing Date (except for representations and warranties made as of a specified date, which need only be true and correct as of the specified date).

Section 8.2 Performance of Agreement. All covenants, conditions and other obligations under this Agreement which are to be performed or complied with by SMI or Merger Sub shall have been performed and complied with in all material respects on or prior to the Closing in accordance with this Agreement.

Section 8.3 Certificates. SMI shall have furnished the Stockholders and CMJ with a certificate dated the Closing Date signed by the Chief Executive Officer or President of SMI to the effect that the conditions set forth in Sections 8.1 and 8.2 have been satisfied.

Section 8.4 Employment. SMI shall have entered into an employment agreement with each of Sean Garber and Lisa Garber, substantially in the form attached hereto as Exhibits B-1 and B-2, respectively (collectively, the "Employment Agreements").

[Handwritten signature]

Section 8.5 Opinion of Counsel to SMI. CMJ shall have received an opinion of Olshan Grundman Frome Rosenzweig & Wolosky LLP, counsel to SMI and Merger Sub dated the Closing Date, in form and substance reasonably satisfactory to CMJ and the Stockholders, and their counsel, substantially in the form attached hereto as Exhibit C.

Section 8.6 No Material Adverse Change. Each of CMJ and the Stockholders shall have determined, in their sole discretion, that there are no facts or circumstances that materially and adversely affect the value of the SMI Common Stock and SMI Preferred Stock.

Section 8.7 Stockholder Liabilities. SMI, to the extent practicable, at or prior to the Closing Date, and in no event later than 45 days thereafter, shall have satisfied all current charges directly related to the business of CMJ that have (i) been placed on any and all personal credit cards issued in the name of Sean Garber and/or Lisa Garber and (ii) that are set forth on Schedule 8.7. Moreover, within 45 days of the Closing Date, SMI shall use its best efforts to procure the absolute and final release of the Stockholders as guarantors on any obligations, directly relating to the business of CMJ, which are also set forth on Schedule 8.7. To the extent SMI is unable to obtain any such a release, it shall indemnify the Stockholders for the corresponding personal guarantee.

Section 8.8 Due Diligence. Each of CMJ and the Stockholders shall have completed, to their satisfaction and up to the Closing Date, their due diligence review of SMI's and Next's legal, accounting and financial records with respect to SMI's and Next's business.

ARTICLE IX

CONDITIONS TO OBLIGATIONS OF SMI AND MERGER SUB

The obligations of SMI under this Agreement are subject to the satisfaction on or prior to the Closing Date, unless waived in writing by SMI or Merger Sub, of each of the following conditions:

Section 9.1 Representations and Warranties of CMJ and the Stockholders. The representations and warranties of CMJ and the Stockholders contained in this Agreement shall be true and correct on the date hereof and on and as of the Closing Date, as though made on and as of the Closing Date (except for representations and warranties made as of a specified date, which need only be true and correct as of the specified date).

Section 9.2 Performance of Agreement. All covenants, conditions and other obligations under this Agreement to be performed or complied with by CMJ and the Stockholders shall have been performed and complied with in all material respects on or prior to the Closing in accordance with this Agreement.

Section 9.3 Certificates. Each of the Stockholders shall have furnished SMI and Merger Sub with a certificate dated the Closing Date to the effect that each of the conditions set forth in Sections 9.1 and 9.2 applicable to such person have been satisfied and CMJ shall have furnished SMI and Merger Sub with a certificate dated the Closing Date signed by its Chief Executive Officer or President to the effect that each of the conditions set forth in Sections 9.1 and 9.2 applicable to CMJ have been satisfied.

Section 9.4 Opinion of Counsel to CMJ and the Stockholders. SMI and Merger Sub shall have received an opinion of Goldberg & Simpson, P.S.C., counsel to each of CMJ and the Stockholders, dated the Closing Date, in form and substance reasonably satisfactory to SMI and Merger Sub and substantially in the form attached hereto as Exhibit D.

Section 9.5 Employment. Sean Garber and Lisa Garber shall have entered into the Employment Agreements.

Section 9.6 No Material Adverse Change. SMI and Merger Sub shall have determined, in their sole discretion, that there are no facts or circumstances that materially and adversely affect the value of the CMJ Stock.

Section 9.7 Due Diligence. SMI and Merger Sub shall have completed, to their satisfaction and up to the Closing Date, their due diligence review of CMJ's properties and CMJ's legal, accounting and financial records with respect to the business of CMJ.

Section 9.8 Resignation. The present directors and executive officers of CMJ shall have resigned and caused the individuals set forth on Schedule 1.4(b) to succeed them in such capacity.

ARTICLE X

TAX MATTERS

Section 10.1 Allocation of Tax Liabilities; Indemnification.

(a) The Stockholders hereby indemnify and hold harmless SMI with respect to any and all Taxes that may be imposed on SMI, if any, (i) resulting from a breach of any representation or warranty set forth in Section 2.10 or this Article X (a "Breach"), (ii) with respect to all taxable periods of CMJ ending on or prior to December 31, 2001, for amounts less than or equal to an aggregate of \$45,000.00 of Tax Liability or greater than an aggregate of \$60,000 of Tax Liability or (iii) allocated to the Stockholders pursuant to Section 10.1(b) hereof. SMI hereby indemnifies the Stockholders for any and all Taxes that may be imposed on the Stockholders for all taxable periods of CMJ commencing after December 31, 2001 to the extent

such taxes are attributable to events occurring after December 31, 2001 and for any and all Taxes that may be imposed on the Stockholders in excess of \$45,000.00, up to an aggregate of \$15,000 of Tax Liability, for all taxable periods of CMJ ending on or prior to December 31, 2001.

(b) CMJ and the Stockholders covenant and agree that they have duly included, or will duly include, in their own Tax Returns their own allocable share of items of income, gain, loss, deduction or credit attributable to that taxable year or other taxable period that ends on or before the Closing Date and, in the case of any taxable year or other taxable period that includes the Closing Date, that part of the taxable year or other taxable period that ends at the close of business on the Closing Date.

(c) The Stockholders shall make any payments under this Article X within thirty (30) days after the final determination (as such term is defined in Section 1313(a) of the Code) of any Tax Liability provided that whenever a taxing authority asserts a claim, makes an assessment or otherwise disputes the amounts of Taxes payable with respect to tax periods ending on or before December 31, 2001 and the amount(s) in question is less than or equal to an aggregate of \$45,000.00 or greater than an aggregate of \$60,000, SMI shall notify the Stockholders within ten (10) days and thereafter the Stockholders shall have the right to control any resulting proceedings and to determine when, whether and to what extent to settle any such claim, assessment or dispute. Notwithstanding the foregoing, the failure of SMI to give notice under the preceding sentence shall not relieve the Stockholders of any obligations hereunder unless such failure shall preclude the defense of such claim. The Stockholders shall not agree to any adjustment or adjustments that would have the effect of increasing the Tax Liability with respect to any period after the Closing Date without obtaining the prior written consent of SMI.

(d) If, for any United States federal, state, local or foreign tax purposes, the taxable period of CMJ does not terminate on the Closing Date, Taxes, if any, attributable to the taxable period of CMJ that includes the Closing Date shall be allocated, subject to Section 10.1(a) hereof to (i) the Stockholders for the period up to and including the Closing Date, and (ii) SMI for the period subsequent to the Closing Date. For purposes of the preceding sentence, Taxes for the period up to and including the Closing Date and for the period subsequent to the Closing Date shall be determined on the basis of an interim closing of the books as of the close of business on the Closing Date as if such taxable period consists of one taxable period ending on the Closing Date followed by a taxable period beginning on the day following the Closing Date. For purposes of this subparagraph (d), exemptions, allowances or deductions that are calculated on an annual basis, such as the deduction for depreciation, shall be apportioned on a daily basis.

(e) The Stockholders shall prepare or cause to be prepared, and file or cause to be filed, all Tax Returns of CMJ for all taxable periods of CMJ that end on or prior to the Closing Date. All such returns shall be prepared on a basis that is consistent with the manner in which the Stockholders prepared or filed such Tax Returns for prior periods.

(f) After the Closing Date, SMI and the Stockholders shall provide each other with reasonable cooperation in connection with the preparation of Tax Returns of CMJ and shall make available to the other and to any taxing authority, as reasonably requested, all information, records or documents relating to Tax Liabilities or potential Tax Liabilities of CMJ for all periods prior to or including the Closing Date and shall preserve all such information, records and documents until the expiration of any statute of limitations or extensions thereof.

ARTICLE XI

INDEMNIFICATION

Section 11.1 Survival of Representations, Warranties and Agreements. Subject to the limitations set forth in this Article XI and notwithstanding any investigation conducted at any time with regard thereto by or on behalf of SMI and/or Merger Sub, on the one hand, or CMJ and/or the Stockholders, on the other hand, all representations, warranties, covenants and agreements of SMI, Merger Sub, CMJ or the Stockholders in this Agreement shall survive the execution, delivery and performance of this Agreement and shall be deemed to have been made again by SMI, Merger Sub, CMJ and the Stockholders at and as of the Closing. The representations and warranties contained in this Agreement shall remain in full force and effect for a period of eighteen (18) months after the Closing Date; provided, however, that the representations, warranties and covenants contained in Section 2.10 and Article X relating to Taxes, Section 2.13 relating to Intellectual Property and Section 2.22 relating to Environmental Matters shall remain in full force and effect until the expiration of their respective applicable statute of limitations (including any extensions thereof). The obligation of indemnity provided herein shall survive the Closing. All statements contained in any exhibit, schedule, statement, certificate or other writing pursuant to this Agreement or in connection with the transactions contemplated hereby shall be deemed representations and warranties of SMI, Merger Sub, CMJ or the Stockholders, as the case may be, set forth in this Agreement within the meaning of this Article.

Section 11.2 Indemnification.

(a) Each of CMJ and each Stockholder, and only the Stockholders following the Closing, shall, jointly and severally, indemnify and hold harmless SMI, and both SMI and the Surviving Corporation following the Closing, from and against any and all losses, liabilities, damages, demands, claims, suits, actions, judgments or causes of action, assessments, costs and expenses including, without limitation, interest, penalties, reasonable attorneys' fees, any and all reasonable expenses incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation (collectively, "Damages"), asserted against, resulting to, imposed upon, or incurred or suffered by SMI or the Surviving Corporation, directly or indirectly, as a result of or arising from the following (individually an "Indemnifiable Claim" and collectively "Indemnifiable Claims" when used in the context of SMI as the Indemnified Party (as defined below)):

(i) Any inaccuracy in or breach of any of the representations, warranties or agreements made in this Agreement of CMJ or the Stockholders or the non-performance of any covenant or obligation to be performed by any of CMJ or the Stockholders under this Agreement;

(ii) Any violation by CMJ or the Stockholders of any law, rule, regulation, arbitral determination, order, writ, decree or injunction on or prior to the Closing Date;

(iii) Any misrepresentation in or any omission from any exhibit, schedule, statement, certificate or other writing furnished or to be furnished by or on behalf of CMJ or the Stockholders under this Agreement; and

(b) SMI, and SMI and the Surviving Corporation, jointly and severally, following the Closing, shall indemnify and hold harmless the Stockholders, and just the Stockholders following the Closing, from and against any and all Damages asserted against, resulting to, imposed upon, or incurred or suffered by the Stockholders, directly or indirectly, as a result of or arising from the following (individually an "Indemnifiable Claim" and collectively "Indemnifiable Claims" when used in the context of CMJ or any of the Stockholders as the Indemnified Party):

(i) Any inaccuracy in or breach of any of the representations, warranties or agreements made by SMI or Merger Sub in this Agreement or the non-performance of any covenant or obligation to be performed by SMI or Merger Sub under this Agreement; and

(ii) Any misrepresentation in or any omission from any exhibit, schedule, statement, certificate or other writing furnished or to be furnished by or on behalf of SMI or Merger Sub under this Agreement.

(c) Without duplication of Damages, SMI and/or the Surviving Corporation shall be deemed to have suffered Damages arising out of or resulting from the matters referred to in subsection (a) above if the same shall be suffered by any parent, subsidiary or affiliate of either SMI or the Surviving Corporation.

Section 11.3 Procedure for Indemnification with Respect to Third Party Claims. The Indemnified Party shall give the Indemnifying Party prompt written notice of any third party claim, demand, assessment, suit or proceeding to which the indemnity set forth in this Article XI applies which notice shall describe said claim in reasonable detail (the "Indemnification Notice"). Notwithstanding the foregoing, the Indemnified Party shall not have any obligation to

give any notice of any assertion of liability by a third party unless such assertion is in writing, and the rights of the Indemnified Party to be indemnified hereunder in respect of any third party claim shall not be adversely affected by its failure to give notice pursuant to the foregoing unless and, if so, only to the extent that, the Indemnifying Party is materially prejudiced thereby. The Indemnifying Party shall have the right to control the defense or settlement of any such action subject to the provisions set forth below in the event such claim solely involves an action for monetary damages and could not affect the Indemnified Party's business going forward, but the Indemnified Party may, at its election, participate in the defense of any action or proceeding at its sole cost and expense; provided, however, specifically, that SMI may defend itself against any Indemnification Claim which may affect the business of CMJ going forward. Notwithstanding the foregoing, if there exists a conflict of interest that would make it inappropriate for the same counsel to represent both the Indemnified and Indemnifying Parties, in connection with any Indemnifiable Claim, then the Indemnified Party shall be entitled to retain its own counsel as is reasonably satisfactory to the Indemnifying Party at the Indemnifying Party's expense. In the event that such Indemnified Party seeks indemnification as provided herein, such Indemnified Party shall make available to the Indemnifying Party, at its expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. Should the Indemnifying Party fail to defend any such Indemnifiable Claim (except for failure resulting from the Indemnified Party's failure to timely give notice of such Indemnifiable claim), then, in addition to any other remedy, the Indemnified Party may settle or defend such action or proceeding through counsel of its own choosing and may recover from the Indemnifying Party the amount of such settlement, demand, or any judgment or decree and all of its costs and expenses, including reasonable fees and disbursements of counsel. Except as permitted in the preceding sentence, the Indemnifying Party shall not be liable for any settlement effected without its written consent, which consent shall not be unreasonably withheld; provided, however, that if such approval is unreasonably withheld, the liability of the Indemnifying Party shall be limited to the amount of the proposed compromise or settlement and the amount of the Indemnified Party's reasonable counsel fees incurred in defending such claim, as permitted by the preceding sentence, at the time such consent is unreasonably withheld. Notwithstanding the preceding sentence, the right of the Indemnified Party to compromise or settle any claim without the prior written consent of the Indemnifying Party shall only be available if a complete release of the Indemnifying Party is contemplated to be part of the proposed compromise or settlement of such third party claim. The Stockholders shall not agree to any adjustment or adjustments that would increase Tax Liability of SMI, with respect to any period ending after the Closing Date, without the prior written consent of SMI.

Section 11.4 Limitations as to Amount. Notwithstanding the foregoing, the Stockholders shall have no obligation to indemnify SMI or the Surviving Corporation for any Damages in excess of \$20,000; provided, however, that this Section 11.4 shall not apply (i) to any Damages resulting from the knowing breach of any representation or warranty made by CMJ or the Stockholders that are set forth in Articles II and III hereof or (ii) with respect to any indemnifiable Tax Liability of CMJ (as set forth in Section 10.1(a)) for all taxable periods ending on or before December 31, 2001, until the total amount of CMJ's Tax Liability for such period exceeds \$60,000.

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ARTICLE XII

TERMINATION, AMENDMENT AND WAIVER

Section 12.1 Termination. This Agreement may be terminated and the transactions contemplated by this Agreement abandoned at any time prior to the Closing:

(a) By the mutual written consent of SMI, CMJ, Merger Sub and the Stockholders;

(b) By CMJ and the Stockholders if it and the Stockholders or Merger Sub are not in material breach of their representations, warranties or obligations under this Agreement and there has been a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of SMI or Merger Sub or if any representation or warranty of SMI or Merger Sub shall have become untrue, in either case such that the conditions set forth in Articles VII and VIII would not be satisfied; provided, however, that if such breach or breaches are capable of being cured prior to the Closing, such breaches shall not have been cured within 30 days of delivery to SMI or Merger Sub, as the case may be, of written notice of such breach or breaches (but no such cure period shall be required if such breach by its nature cannot be cured);

(c) By either SMI or Merger Sub if it is not in material breach of its representations, warranties or obligations under this Agreement and there has been a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of the Stockholders or CMJ or if any representation or warranty of the Stockholders or CMJ shall have become untrue, in either case such that the conditions set forth in Article VII and IX would not be satisfied; provided, however, that if such breach or breaches are capable of being cured prior to the Closing, such breaches shall not have been cured within 30 days of delivery to CMJ and the Stockholders of written notice of such breach or breaches (but no such cure period shall be required if such breach by its nature cannot be cured); or

(d) By SMI, Merger Sub or CMJ if: (i) the Closing has not occurred by March 15, 2002 (provided that the right to terminate this Agreement under this clause (i) shall not be available to any party whose willful failure to fulfill any obligation hereunder has been the cause of, or resulted in, the failure of the Closing to occur on or before such date); (ii) there shall be a final non-appealable order, decree or ruling of a court of competent jurisdiction in effect preventing consummation of the transactions contemplated hereby; or (iii) there shall be any statute, rule, regulation or non-appealable order enacted, promulgated or issued or deemed applicable to the transactions contemplated hereby by any governmental entity that would make consummation of such transactions illegal.

Section 12.2 Effect of Termination. In the event of any termination of this Agreement in accordance with Sections 12.1(a) or (d) hereof, this Agreement shall forthwith

become void and there shall be no liability under this Agreement on the part of any party hereto or its respective affiliates, officers, directors, employees or agents by virtue of such termination. In the event of any termination of this Agreement in accordance with Sections 12.1(b) or (c), the parties hereto reserve their rights to take any action permitted by law, including as provided in Section 13.2 hereof.

ARTICLE XIII

MISCELLANEOUS

Section 13.1 Notices

. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when delivered personally or three days after being sent by registered or certified mail, return receipt requested, postage prepaid:

(a) If to SMI to:

Sporting Magic, Inc.
6430 Cobble Lane
Harrison, Tennessee 37341
Attention: Danny F. Cooke, its Chairman

with a copy (which shall not constitute notice) to:

Olshan Grundman Frome Rosenzweig & Wolosky LLP
505 Park Avenue
16th Floor
New York, New York 10022
Attention: Robert H. Friedman, Esq.

and

Miller & Martin LLP
Suite 1000 Volunteer Building
832 Georgia Avenue
Chattanooga, TN 37402-2289
Attention: W. Scott McGinness Jr., Esq.

(b) If to Merger Sub

CMJ Acquisition Company
c/o Sporting Magic, Inc.

6430 Cobble Lane
Harrison, Tennessee 37341
Attention: Danny F. Cooke, its Chairman

with a copy (which shall not constitute notice) to:

Olshan Grundman Frome Rosenzweig & Wolosky LLP
505 Park Avenue
16th Floor
New York, New York 10022
Attention: Robert H. Friedman, Esq.

and

Miller & Martin LLP
Suite 1000 Volunteer Building
832 Georgia Avenue
Chattanooga, TN 37402-2289
Attention: W. Scott McGinness Jr., Esq.

(c) If to the Stockholders to:

Sean Garber
[address]

Lisa Garber
[address]

Mark Carter
[address]

with a copy (which shall not constitute notice) to:

Steven A. Goodman, Esq.
David H. Cooper, Esq.
Goldberg & Simpson, P.S.C.
3000 National City Tower
101 South Fifth Street
Louisville, Kentucky 40202
Fax: (502) 581-1344

(d) If to CMJ to:

CMJ Ventures, Inc.
3600 Chamberlain Lane
Suite 826

Louisville, Kentucky 40241
Attention: Sean Garber, President

with a copy (which shall not constitute notice) to:

Steven A. Goodman, Esq.
David H. Cooper, Esq.
Goldberg & Simpson, P.S.C.
3000 National City Tower
101 South Fifth Street
Louisville, Kentucky 40202
Fax: (502) 581-1344

or to such other address as any party shall have specified by notice in writing to the other in compliance with this Section 13.1.

Section 13.2 Specific Performance. All parties hereto recognize that, because of the nature of the subject matter of this Agreement, it would be impractical and extremely difficult to determine actual damages in the event of a breach of this Agreement. Accordingly, if any of CMJ or the Stockholders, on the one hand, or SMI or Merger Sub, on the other hand, commits a breach, or threatens to commit a breach, of any of the provisions of hereof, as applicable, of this Agreement, SMI and Merger Sub, on the one hand, or CMJ and the Stockholders, on the other hand, shall have the right to seek and receive a temporary restraining order, injunction or other equitable remedy relating to the prevention or cessation of such breach or threatened breach, including, without limitation, the right to have the provisions of this Agreement specifically enforced by any court having equity jurisdiction, it being mutually acknowledged and agreed that any such breach or threatened breach will cause irreparable injury and that monetary damages will not provide an adequate remedy.

Section 13.3 Entire Agreement. This Agreement, including the exhibits and schedules attached hereto, constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and thereof and supersedes all prior agreements, representations and understandings among the parties hereto, whether written or oral.

Section 13.4 Binding Effect, Benefits, Assignments. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns; nothing in this Agreement, expressed or implied, is intended to confer on any other person, other than the parties hereto or their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement. This Agreement may not be assigned without the prior written consent of the other parties hereto.

Section 13.5 Applicable Law. This Agreement and the legal relations between the parties hereto shall be governed by and construed in accordance with the laws of the State of Indiana, without regard to conflicts of law rules of such state.

Section 13.6 Jurisdiction. The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in the United States District Court for the Northern District of Indiana or any Indiana State court sitting in Wabash, so long as one of such courts shall have subject matter jurisdiction over such suit, action or proceeding, and that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of Indiana, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 13.1 shall be deemed effective service of process on such party.

Section 13.7 Severability. With respect to any provision of this Agreement finally determined by a court of competent jurisdiction to be unenforceable, such court shall have jurisdiction to reform such provision so that it is enforceable to the maximum extent permitted by law, and all the parties hereto shall abide by such court's determination. In the event that any provision of this Agreement cannot be reformed, such provision shall be deemed to be severed from this Agreement, but every other provision of this Agreement shall remain in full force and effect.

Section 13.8 No Third Party Beneficiaries. Nothing herein, expressed or implied, is intended or shall be construed to confer upon or give to any person, firm, corporation or legal entity, other than the parties hereto, any rights, remedies or other benefits under or by reason of this Agreement.

Section 13.9 Headings. The headings and captions in this Agreement are included for purposes of convenience only and shall not affect the construction or interpretation of any of its provisions.

Section 13.10 Pronouns and Plurals. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, singular or plural as the context may require. All references herein to "he," "him" or "his" or "she," "her" or "hers" shall be for purposes of simplicity and, except with reference to the Stockholders, are not intended to be a reference to a particular gender.

Section 13.11 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 13.12 Representation By Counsel; Interpretation. SMI, Merger Sub, CMJ and the Stockholders each acknowledge that each party to this Agreement has been represented by counsel in connection with this Agreement and the transactions contemplated hereby. Accordingly, any rule of applicable constitutional provision, statute, ordinance or other law, rule, regulation, or interpretation by any Governmental Entity and any order or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the party that drafted it has no application and is expressly waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intent of the parties hereto.

[The remainder of this page was purposely left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year hereinabove first set forth.

SPORTING MAGIC, INC.

By: [Signature]
Name:
Title:

CMJ VENTURES, INC.

By: _____
Name:
Title:

CMJ ACQUISITION COMPANY

By: [Signature]
Name:
Title:

SEAN GARBER

LISA GARBER


MARK CARTER

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year hereinabove first set forth.

SPORTING MAGIC, INC.

By: _____
Name:
Title:

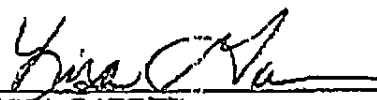
CMJ VENTURES, INC.

By: 
Name: President & CEO
Title:

CMJ ACQUISITION COMPANY

By: _____
Name:
Title:


SEAN GARBER


LISA GARBER


MARK CARTER

AMENDMENT NO. 1 TO AGREEMENT AND PLAN OF MERGER

THIS AMENDMENT NO. 1 TO THE AGREEMENT AND PLAN OF MERGER (this "Amendment") is entered into as of May 16, 2002, by and among (i) Sporting Magic, Inc., a Delaware corporation ("SMI"), (ii) CMJ Acquisition Company, a Delaware corporation and wholly owned subsidiary of SMI ("Merger Sub"), (iii) CMJ Ventures, Inc., a Florida corporation ("CMJ") and (iv) each of Sean Garber, Lisa Garber and Mark Carter (collectively, the "Stockholders"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Merger Agreement (as defined below).

WITNESSETH:

WHEREAS, SMI, Merger Sub, CMJ and the Stockholders are parties to that certain Agreement and Plan of Merger, dated as of March 1, 2002, a copy of which is attached hereto as Exhibit A (the "Merger Agreement"); and

WHEREAS, the parties hereto wish to amend the Merger Agreement as set forth below.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, the parties do hereby agree, subject to the terms and conditions hereinafter set forth, as follows:

ARTICLE I

THE MERGER

1.3 Merger Consideration.

Section 1.3 of the Merger Agreement is hereby deleted in its entirety and replaced with the following:


"Section 1.3 Merger Consideration. For purposes of this agreement, "Merger Consideration" shall mean, in the aggregate, (i) 1,400,000 shares of SMI voting common stock, \$.0001 par value per share, all unencumbered and free and clear of all liens, charges, pledges, security interests or any other restrictions except for those as may be imposed by federal or state securities laws (collectively, the "SMI Common Stock") and (ii) 4 shares of SMI's Series A preferred stock, \$.0001 par value per share, all unencumbered and free and clear of all liens, charges, pledges, security interests or any other restrictions and created pursuant to a certificate of designation substantially similar to the form of certificate of designation attached hereto as Exhibit A (collectively, the "SMI Preferred Stock"). At the Effective Time, by virtue of the Merger, and without further action by any person or entity, each issued and outstanding share of CMJ Stock (as defined in Section 2.2) shall automatically converted into the right to receive 2,545.4545 shares of SMI Common Stock and 0.00727 shares of SMI Preferred Stock. Schedule 1.3 sets forth to whom and in what denominations the Merger Consideration is to be allocated

amongst the Stockholders or their designees. Fractional shares of either SMI Common Stock or SMI Preferred Stock to be issued hereunder shall be rounded to the nearest whole number.”

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year hereinabove first set forth.

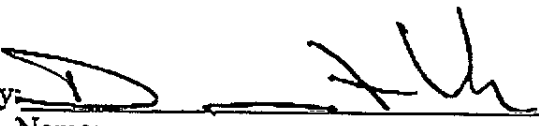
SPORTING MAGIC, INC.

By: 
Name:
Title:

CMJ VENTURES, INC.

By: _____
Name:
Title:

CMJ ACQUISITION COMPANY

By: 
Name:
Title:

SEAN GARBER

LISA GARBER


MARK CARTER

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year hereinabove first set forth.


SPORTING MAGIC, INC.

By: _____
Name: _____
Title: _____

CMJ VENTURES, INC.

By:  _____
Name: _____
Title: *President & CEO*

CMJ ACQUISITION COMPANY

By:  _____
Name: _____
Title: _____


SEAN GARBER


LISA GARBER


MARK CARTER