QUESTIONS ON CONSOLIDATED BUDGET

Consolidated Costs:
1. The Company has financing fees of $40,000 annually. What are important constituents of these?
2. On additional financing, the company assumes a 3.0% financing fees. Please validate.
3. Currently the depreciation is calculated as 30.0% of existing assets **less** 15.0% of the CapEx. Should this be 30.0% of existing assets **plus** 15.0% of the CapEx?
4. Why are 85.0% of the employee costs being reduced from the health and beauty segment when they are being consolidated?
5. Taxes
   a) Why are taxes not calculated as a function of NOL's and an input till April 2010? What is the effective tax rate?
   b) Will Global Cricket Ventures income be double taxed?

Financing Related Cash Flows:

6. Interest on Escrow Account: November 2008, there is a cash outflow of $0.875 million. There are two corresponding capital inflows in years 2009 and 2010 against this to close the account. Please clarify the nature of this account.
7. Warrants: The model assumes warrants to be exercised in 2009 for $1.3 million. What are the terms of these warrants?

Overhead

8. The company consolidates interest income into Net Sales. This is sourced from a file called "Cash Burn" which we do not have. What is the company's expected return on cash and cash management policies?
9. Bonuses
   a) In the consolidated model, bonuses are paid in April, but a footnote in the "Corp OH" file says bonuses are paid in January. Which is correct?
   b) Signing bonuses are paid in 4Q08, 1Q09, 4Q09, and 1Q10. What additional positions are planned to be filled and what will be the incremental costs of these positions?
10. Rents
    a) The model shows a small expense related to "Home Offices" in 2010 when there was none in 2009. Please clarify.
    b) Commercial Office rents are increasing by ~2.5% annually over the course of three years starting 2008. What are the Company's current lease agreements?
11. Traveling Costs – The Company maintains constant travelling costs of $20,000 across all quarters. What is the rationale behind keeping the same with increasing employees and activities?
12. Consulting:
    a) What is the nature of the relationship with and services provided by Lexington Capital?
    b) What is the nature of the relationship with and services provided by Gossamer-Threads?

Capex

13. Tenant Improvements contributing the majority of CapEx. Other Capex includes photocopier lease, desks, stationery & supplies, misc. office, décor, filing cabinets, book cases, and whiteboards.
14. What are the companies policies related to expensing vs. capitalizing payments?

Acquisitions

15. Skin 1
    a) Perfume (LCM) will purchase Skin 1 for $4.6 million. How much of this is attributable to identifiable assets?
    b) The consolidated balance sheet has $0.9 million in "Skin 1 Inventory included in purchase and Dec bump up". What are the constituents of this?
16. Auctomatic
    a) What business segments does Auctomatic operate in? What was the investment rationale behind this acquisition?
    b) How are the operations of Auctomatic incorporated in the financial model?
    c) The model shows a purchase price of $1.5 and accounts for $1.1 million of non cash portion of Auctomatic purchase. Please explain the investment structure.
17. Global Cricket Ventures
    a) The model accounts for an investment of $3.0 million through the end of 2008. How much has already been funded?
    b) Where does the model account for revenues/dividends from GCV?
    c) What are the other sources of funding for the venture?

Domain Name Sales - The Company is expecting $7.0 million and $10.0 million over the next two years

18. Is this based on on-going sales or the sale of some big-ticket properties?
19. How many domains does the Company plan to sell over the next 2-3 years?
20. Can the Company identify which domain names it is expecting to sell?
21. Does the Company procure additional domains?
22. Does the Company have any outstanding offers for domains?
23. How does selling domain names fit with the strategy of developing properties?

Balance Sheet

24. What payables are currently past due? What will have to be paid immediately after closing?

25. **QUESTIONS ON FARM TEAM**

Background

26. What are the business operations of Farm Team? The company presently generates revenues through advertising.

Revenues

Currently the model assumes the revenues to be driven as a % of page views (implied visits) multiplied by CPM's.

27. What are the rationale for the following assumptions:
    a) Increase in page views by 15.0% from January 2009 to August 2009 and then constant.
    b) Average page visits per visit - 8
    c) Constant CPM's - $8.00

People's cost

Currently the model forecasts labor requirement and multiplies cost per head to arrive at total costs

28. Does the company have operations in India? With LCM having presence in India through the IPLT20.com, Is it possible for the company to move operations of the unit to India? If yes, how does the cost structure change?
29. The company gradually scales up the headcount from 2 to 6 through 2010, with focus on tech employees. Will the company be able to leverage the tech group of other portals/domains? Considering IPLT20.com and perfume.com are seasonal businesses, can the tech support group be common across all the websites?
30. What are the rationale for the following assumptions:
    a) The model does not account for any increment in salary? The benefits have been increased every year by 15.0%.
    b) Depreciating computer equipment and software over 3 years and furniture over 5 years?
    c) No replacement costs.
31. What are the constituents of professional fees? The model only accounts for professional fees in 2008.
32. What are the constituents of miscellaneous costs?

<u>QUESTIONS ON PERFUME.COM</u>

The business is segmented in 4 streams:

1. *Direct*
2. *Paid*
3. *Other market*
4. *Affiliate*

Excluding the Paid stream, the remaining streams are calculated as a percent mix of total orders:

1. *Direct-55%-75%*
2. *Other marketing-10%-25%*
3. *Affiliate-10%-20%*

As this allocation makes an impact on what each division earns, we want to know what is the rationale behind the assumption of this breakup is.

Revenues

Currently, revenues from the direct category are driven by Traffic, Non-search conversion, and basket size. This essentially drives Order Growth

33. The business is expected to experience exponential growth in traffic/orders through 2010. What are the key drivers of exponential growth?
34. Can you please provide a history of traffic and order growth?
35. Conversion is expected to increase each year and expected to be the highest in the periods of the highest traffic. What is the rational behind this?
36. The average basket size is assumed to be less from January through September than from October through December. Can you provide historical support of basket size and the lift that is experienced during the holiday retail season?
37. What does "Other Marketing" constitute?
38. What does "Affiliate" constitute (who are they, nature of relationships, etc.)?

Paid searches Revenues:

Currently, revenues are driven by No. of orders and basket size.

39. Assuming the paid search budget to vary from $13,000 in January to $250,000 in December. Is this how you have been allocating your budget and plan to do so in the future as well? Would increasing the budget imply an increase in leads?
40. CPOs vary from off-peak to holiday season. How is this CPO number arrived at? Are there commission based contracts in place?
41. What are the key drivers behind declining CPO?

COGS:

Currently, COGS are driven by margin and these margins are not different for different categories of sales.

42. How is COGS margin arrived at and what is the driver for declining COGS as a % of sales from 2008 to 2010?
43. How are discounts on products accounted for? What percent of sales are of discounted products?

Marketing and Advertising costs: *Currently, marketing and advertising costs are driven by search, email, affiliate, PR & Online, and agency fees.*

44. Affiliate: Model assumes a 12.0% commission to affiliates? Is this amount expected to change in the future? What contracts are in place?
45. What are the drivers behind the growth in other marketing costs (10% in 2009 and 5% in 2010)?
46. Why is Perfume.Com seasonal and Skin One consistent throughout the year?

IT:

47. Why does Skin One's cost grow at a much higher annual rate than Perfume.com (10% vs. 2.5%)?

Product Development: *Currently, driven by creative/design, site design and content.*

48. It is assumed that the site is being redesigned before every holiday season. What is the rationale behind this?
49. Is this activity done in-house or outsourced?

Administration:

50. Why does Skin One's cost grow at a much higher annual rate than Perfume.com (10% vs. 2.5%)?

Warehousing and Distribution: *Currently driven by Inventory carrying costs and 3rd party fulfillment cost.*

51. Inventory Carrying Costs are 6.0% of Inventory in 2009 and 5.5% of Inventory in 2010? What is the rationale behind this?
52. Does the company have its own warehousing facilities?
53. Inventory values are input. How are these arrived at?
54. What terms are inventory purchases made with?
55. How many days' sales of inventory does the Company plan on maintaining? Will this be seasonally affected?
56. Who are the key suppliers and what is the history and nature of relationships?
57. Skin1 is assumed to not have any warehousing costs. Why is that?

Salaries: *Currently driven by operations, customer service, engineering, marketing, merchandising, product management, supply chain, Temporary staff, and Bonuses.*

58. In the "Perfume Salaries" tab, there are 31 positions accounted for, but only 12 positions are filled through 2010. Can you please explain?
59. Compensation across positions is held constant year over year. What would be the expected growth in wages?

<u>QUESTIONS ON SKIN ONE</u>

The business is segmented in 2 streams:

1. *Online*
2. *Store*

Online revenues:

60. Paid Search revenues - *driven by paid orders and basket size.*
    a) What is the rationale for the following assumptions:
        i) Budget for Paid Search to be $60,000 for remaining 2008, $65,000 for 2009 and $68,250 for 2010.
            (1) This does not flow through the income statement.
        ii) Traffic is calculated by dividing the budget by a "CPO" – ($1.55-2008; $1.20-2009; $1.14-2010)
        iii) Orders from Paid are calculated by dividing the budget by a "CPO" – ($22.00-2008; $17.00-2009; $16.00-2010)
        iv) Average basket size to be $93 for remaining 2008 and $92 from 2009-2010.
    b) Is this a seasonal business like perfume.com?
61. What is the rational in year over year growth for total traffic?
    a) 25% for remaining 2008 months;
    b) -10% for 1Q09
    c) 30% for rest of 2009
    d) 35% for 2010
62. What is the rational for the conversion assumptions?
    a) 4.0% for remaining 2008 months;
    b) 3.75% in 2009
    c) 5.0% in 2010

63. **Store revenues:** *Currently assumed to be a % of online sales.*
    a) What are Store revenues?
    b) What is the rationale behind assuming store revenues to vary from 17.6% of online revenues in remaining 2008, and 14.9% of online revenues from 2009-2010?

64. **COGS:** *Currently, COGS are driven by margins.*
    a) What is the rationale for assuming COGS to range between 49% in 2008, 48% in 2009 and 47% in 2010?
    b) Can you explain why COGS margins for Skin1 are about 10% less than Perfume.com?

65. Implied shipping cost per order is about 30% less than Perfume.com. Please explain.
66. Why are marketing expenses for skin1 growing faster than for Perfume.com?
67. Product development: What is the rationale behind the following:
    a) Creative/design: Assuming creative/design costs to range from $2,500 per month for remaining 2008, and increasing this to $8,000 per month by 2010.
    b) Site redesign: Assuming Site redesign costs ranging from $10,000 in remaining 2008 to $100,000 in 2010.
    c) Content: Assuming creative/design costs to range from $1,000 per month for remaining 2008, and increasing this to $8,000 per month by 2010.
    d) Is there a possibility of this division being outsourced or shifted to India?

68. Skin1 is assumed to not have any warehousing costs. Why is that?
69. Assuming 5% growth in annual salaries. Will there be any synergies involved or additional people required post-acquisition?

QUESTIONS ON GLOBAL CRICKET VENTURES

The business is segmented in 4 streams:

1. *IPLT20.com*
2. *Cricket.com*
3. *BCCI.tv*
4. *Syndication, Streaming. and Mobile*

Revenues

70. What will be the company's Strategy to increase out of season traffic for IPLT20.com?
71. Can you provide more updated out of season information for IPLT20.com?
72. Is there any support for CPM growth forecasts for both display and video, for all the properties?
73. Why is IPLT20.com's CPM for both display and video growing much higher than BCCI.tv and Cricket.com?
74. Has the Company identified any sponsors for IPLT20.com or BCCI.tv?
    a) What would be typical terms of such a deal?
75. Has/will the Company negotiated any advertisement sales on a non-CPM basis?
76. What mobile deals have been made or are in progress with lead carriers?
77. How are uniques to Live IPL Streaming calculated (4.75/5.2 * IPLT20.com in-season uniques)?
78. What is the rational that supports 25% if uniques watching the stream?
79. Why are IPL Live Streaming CPMs much lower than CPMs for video highlights?

Expenses

80. GCV is assumed to have its own management team apart from its parent companies. Can you please identify who will be serving in each of the following roles and the current estimated start dates.
    a) CEO ($250K)
    b) Chief Revenue Officer ($240K)
    c) Chief Production Officer ($225K)
    d) Chief Financial Officer ($175K)
    e) VP Engineering ($150K)
    f) MD, Mobile ($150K)
    g) Editorial Director ($125K)
81. How were these cash compensation figures arrived at?
82. Will there be any equity incentives for the management team?
83. Marketing expenses are assumed to be 2% of revenues in all years. Does the company plan any type of additional launch in the first year?
84. Will any services be contributed to/by GCV by/to either Live Current or NetLink Blue? What transfer pricing agreements would there be?
85. Other Costs. Please briefly discuss what these costs will entail and the key drivers:
    a) Hosting Contingency (y-o-y growth of $100k base)
    b) Live streaming ($0.35 per hour)
    c) Network setup and security- hosting (y-o-y growth of $115k base)
    d) Development/CMS platform (y-o-y growth of $1.0mm base)
    e) Licenses and Permits (y-o-y growth of $240k base)
    f) Content (y-o-y growth of $480k base – same growth pattern as Development/CMS platform)
    g) Marketing/Advertising (2.0% of annual revenues)
    h) PR (y-o-y growth of $100k base)
    i) Travel ($5k per employee per year)
    j) Rent ($3/sqft – 100 sqft/employee)
    k) Telephone / Internet ($200 per month per employee * [(1+growth rate)?])
    l) Professional Fees (y-o-y growth of $120k base)
    m) Office and General ($100 per month per employee * [(1+growth rate)?])
    n) Insurance (y-o-y growth of $60k base)
    o) Miscellaneous (1.5% of revenues)

Capital

86. How much has been invested to date and by whom?

87. How is it anticipated that Global Cricket Venture finance a $7mm payment in 2009 to Live Current for the rights to Cricket.com?