

May 10, 2012

William Etkin
Etkin & Company, Inc.
14 East 60th Street
New York, NY 10022

Dear Mr. Etkin:

The purpose of this letter agreement is to set forth to Etkin & Company, Inc. (“you”), as advisor to The TAO Group (together with its affiliates, collectively “TG” or the “Company”), the general terms and conditions upon which Rizvi Traverse Management LLC (“RT” or “we”), which holds a majority interest in Playboy Enterprises (“Playboy”), would be willing to recapitalize TG (the “Transaction”) with Marc Packer, Rich Wolf, Noah Tepperberg, Jason Strauss (collectively the “Partners”). This letter is not intended to create a binding commitment, but demonstrates our mutual willingness to work together in good faith to consummate the Transaction contemplated hereby on the terms outlined herein.

We are excited about this Transaction, as we are confident that an alliance between TG and Playboy would create an unparalleled combination between the leader in nightlife and one of the most storied and valuable brands worldwide that is the original pioneer of nightlife. We believe the collective strength of the assets and expertise of both ownership and management groups will provide synergies and incremental financial benefits to both parties resulting in significantly enhanced shareholder value.

By way of background, Playboy was formed in 1953 and in its 59 years has become one of the most storied, iconic and recognized brands in the world. Its Rabbit Head Logo falls in the same rankings of global unaided awareness as the McDonald’s Golden Arches and the Nike Swoosh. Playboy Magazine has monthly circulation of 15 million readers worldwide, Playboy.com receives 6 million monthly unique visitors and Playboy has over 7 million combined Facebook fans and Twitter followers.

Today Playboy has four primary business lines:

1. Licensing. Playboy licenses its brands to various partners across different consumer verticals. Worldwide retail sales of Playboy merchandise and content total in excess of \$1 billion annually.

2. Location Based Entertainment. Playboy partners with casino operators on gaming and nightlife venues. Currently Playboy has casino nightclubs in London and Cancun, and is in various stages of negotiations for additional international venues.
3. Mansion & Events. Playboy owns and operates the Playboy Mansion in Los Angeles, which hosts numerous storied annual events including Midsummer Night's Dream and Halloween. Playboy also produces and/or hosts various offsite events around the world including the Playboy Jazzfest, Super Bowl and many others.
4. Publishing. Playboy Magazine has been published since Playboy's inception and currently is distributed in 30 different countries.

We believe there are immediate synergies to be captured between TG and Playboy, some of which include:

1. Initial Public Offering: We believe an IPO of the combined companies would be extremely attractive to the public markets. The Company would have in excess of \$120mm of EBITDA with a highly complementary combination of strong brands. We believe the company could go public on multiple exchanges in 2013. An IPO could provide an additional liquidity event for the Partners.
2. Advantageous Debt Terms: Partnering with Playboy will allow the combined enterprise to be financed in the debt markets on attractive terms. Comparatively inexpensive, efficient debt financing will enhance all of the combined company's shareholders ability to realize value over time.
3. Management of Playboy's London Club: Playboy is partnered with London Clubs International (a subsidiary of Caesars) on a casino and nightclub in the Mayfair district of London. Playboy would envision converting the nightclub (comprising the entire ground floor) into one of TG's brands and utilizing TG's expertise to manage it.
4. International Casino & Club Expansion: Playboy is currently in various stages of negotiations regarding international expansion of its casino and nightclub business in Asia, Europe and South America. Playboy is also exploring the opportunity to manage various "pop up" clubs in connection with major worldwide brands. We believe TG is the ideal partner to operate these international ventures and that both parties could benefit tremendously from a dedicated focus on international expansion.
5. Formation of a Licensing Business Using TG Brands: Playboy believes there are significant opportunities to create a new licensing business utilizing the TG brands, with the goal of creating a diversified line of consumer products. Playboy would look to leverage its existing licensing expertise and worldwide partner network to

develop and license categories such as merchandise, beverages, bar accessories, homewares, and prepared foods under the various TG brands.

6. Mansion & Event Management: Playboy would envision TG assuming management responsibilities over select Playboy events. We believe the combination would produce significant enhancements to Playboy's iconic events (i.e. Midsummer Night's Dream, Playmate of the Year, Halloween, etc.) at the Mansion, provide TG with new programming opportunities at its existing venues and offer a new and unique opportunity for TG to deepen its relationships with its VIP's.

In the spirit of our new partnership, TG would be provided access to Playboy's suite of proprietary assets (i.e. Playmates, Bunnies, databases, customer lists, intellectual property, etc.) to ensure the long term success of both parties. The timing is excellent given that next year is Playboy's Diamond 60th Anniversary, a historic event which we believe presents an immediate unique global opportunity to launch our significant expansion plans.

The terms under which we would propose to consummate a Transaction are set forth on the following pages:

TERM SHEET

We have conducted preliminary due diligence through our discussions with you and reviewed the information provided. Based on the work performed to date, we are eager to explore a Transaction on the following general terms and conditions:

1. Structure of the Transaction: Subject to review by our tax, legal and financial advisors, the Transaction would be structured as a recapitalization of either stock or assets, excluding in either case, any tax liabilities, inter-company liabilities, debt and debt-like items. At closing, RT would purchase 100% of the interests of the third party investors and a percentage of the Partners equity whereby the Partners would own 40% of the equity of the Company on a pro forma basis post closing taking into account the benefit of the leverage we secure.:
2. Purchase Price: Based on the information provided and discussions held to date, the delivery of a mutually agreeable net working balance and prior to any employment agreements for the Partners, the purchase price for the Company would be 7.5 times pro forma TTM EBITDA taking into account new employment contracts.
3. Growth Capital: RT is supportive of expanding the Company into new venues worldwide and accordingly would be willing to provide or arrange for additional financing to establish various mutually agreeable new opportunities.
4. Put / Call Rights; Initial Public Offering: The Transaction documentation will have structured liquidity provisions, such as in the event Playboy files for an IPO or the Partners desire to sell, or RT desires to purchase, any outstanding interests the Partners hold in the Company or Playboy.
5. Due Diligence Process: We expect to perform a due diligence review of the Company, including but not limited to a review of the Company's financial, operational, legal, regulatory, and systems attributes. We understand that it may be necessary to take special measures to ensure that the due diligence process is conducted in a discrete manner, limiting the risk that the process will adversely affect the Company or its relationships with its customers, suppliers and employees. RT is prepared to commence diligence shortly after the execution of this letter. RT would also require the Company to obtain a third party audit of its historical financial statements, conducted by a reputable national firm.
6. Timing: We are prepared to move quickly to consummate the Transaction and have the necessary resources to conduct our due diligence process concurrently with the negotiation of the terms and conditions of the definitive purchase agreements.

7. Sources of Financing: It is expected that the Transaction would be financed via a combination of debt provided by or arranged by a major financial institution and equity.
8. Approvals: Consummation of the Transaction will be subject to obtaining any necessary corporate approvals, which may include Playboy's board of directors controlled by RT and/or Playboy's lenders, and all required governmental and regulatory approvals, consents, permits or licenses. The Partners would be responsible for ensuring delivery of any consents from minority investors or non-Partners in the Company or Sellers.
9. Management and Employees:
 - i. RT views the Partners as key components to this organization and would therefore plan on entering into 5 year employment agreements with each Partner, which agreements would set forth various mutually agreeable terms including compensation and benefits.
 - ii. RT views the employees of any organization as a vital component of the organization's ability to compete and succeed in the marketplace. For that reason, RT strives to motivate and retain key personnel through competitive compensation and portfolio-wide benefits arrangements.
10. Non-Competition: RT would plan on entering into 7 year non-compete agreements with each Partner in connection with the Transaction.
11. Documentation: The Transaction would be subject to the terms of definitive purchase agreements, including a management contract, containing provisions consistent with those set forth in this letter and customary representations and warranties, covenants, indemnities, and conditions to closing.
12. Fees and Expenses: We will each bear our own fees and expenses incurred in connection with the proposed Transaction.
13. Exclusivity: From the execution date of this letter agreement and for ninety (90) days thereafter (the "Exclusivity Period"), the Sellers will not, nor will the Sellers permit any of its directors, officers, employees or agents (including without limitation its consultants, advisors, representatives, investment bankers, attorneys and accountants) directly or indirectly to, solicit, discuss, encourage or accept any proposals or offers from any party, including without limitation an employee or affiliate of the Sellers, for the purpose of consummating a sale-like transaction of the Company, its assets or any interest therein whether through a stock sale, merger, sale of assets or other equity or debt related transaction. If, during the Exclusivity Period and prior to the execution of a definitive agreement, you receive any such proposals or offers, we would ask that you inform us of the material terms and conditions thereof, immediately inform the party that you are bound by the exclusivity provisions of this letter and have no further contact with

such party. The Exclusivity Period shall be automatically extended for successive two (2) week periods unless a party hereto delivers to the other party written notice via fax or email to an authorized officer or principal of RT of an intent to terminate two (2) business days prior to the expiration date. Notwithstanding the foregoing, the Exclusivity Period shall terminate automatically (and shall not be extended) on the first to occur of (i) the mutual agreement of the parties to terminate negotiations, or (ii) the bilateral execution and delivery of definitive agreements.

14. Confidentiality: Each of us acknowledges the confidential nature of this letter and the Transaction process as a whole. The obligations of RT and the Seller pertaining to confidential information are set forth in that certain Confidentiality Agreement executed by the parties on March 30, 2012.
15. Miscellaneous: Except as provided in paragraphs 12, 13 and 14 above, this letter does not create a binding commitment, but evidences our mutual willingness to work together in good faith to consummate the Transaction contemplated hereby.

We are enthusiastic about this opportunity and look forward to proceeding to the next step in the acquisition process. Please feel free to call if you have any questions about the terms of this letter.

Sincerely,

RIZVI TRAVERSE MANAGEMENT LLC

Ben Kohn
Partner

CONFIRMED AND AGREED
as of the date written above:

Etkin & Company, Inc.

William Etkin
President