

TAO Group Transaction
Summary of Proposed Material Terms

Blackstone

January 9, 2013

Mr. Bill Etkin
Etkin & Company, Incorporated
14 East 60th Street
New York, NY 10022

Re: TAO Group Transaction

Dear Bill:

We are pleased to submit this non-binding indication of interest of financing to the TAO Group on the general terms outlined below. The terms outlined below are not meant to be all-inclusive and we would furnish a more detailed summary of terms upon further diligence and discussions with you. Furthermore, all terms and conditions shall be subject to our satisfactory completion of due diligence and underwriting of the asset and satisfactory documentation.

Issuer: Newly-formed holding company (“Holdco”) created through the acquisition of all TAO Entities identified on Schedule A. Acquisition to be effected by separate mergers of each of the TAO Entities with and into subsidiaries of Holdco

Investor: Affiliates of Blackstone Tactical Opportunities Fund

Investment Amount: \$100,000,000

Security: Security will be structured as preferred stock and will have a liquidation preference over all equity holders in a sale, wind-up or liquidation of Holdco

Dividend: Security will receive a 12% dividend on the following basis:
1) 6% of principal will be paid in cash, on a quarterly basis
2) 6% of principal will be payable-in-kind (“PIK”) on a quarterly basis, thereby increasing the principal balance quarterly

Penny Warrants: The Investor will receive penny warrants equal to 20% of the fully-diluted equity of HoldCo. The warrants shall be detachable from the Security and exercisable upon any liquidity event for the Company’s shareholders. Warrant holders shall receive customary drag and tag-along rights to participate in any equity offerings by shareholders

Closing Date: [February 28, 2013]

Term: 7 year maturity

Origination Fee: [1.0%] of the Security, payable to Investor and earned at closing.

Prepayment: The Security shall be pre-payable at any time subject to a minimum multiple of invested capital on the security of [1.75x] the Investment Amount. Notwithstanding anything contained herein, the Penny Warrants shall survive any prepayment and are not subject to prepayment or redemption except at the option of Investor or its successor entities